

2001

ANNUAL REPORT

KIA MOTORS CORPORATION

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KIA MOTORS

231, Yangjae-Dong, Seocho-Gu,
Seoul, 137-938, Korea
TEL: 82-2-3464-1114
[http : //www.kia.co.kr](http://www.kia.co.kr)
[http : //www.kmcr.com](http://www.kmcr.com)



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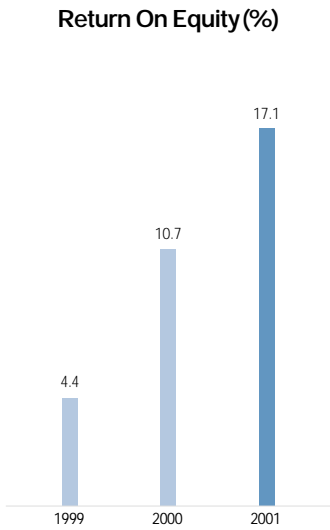
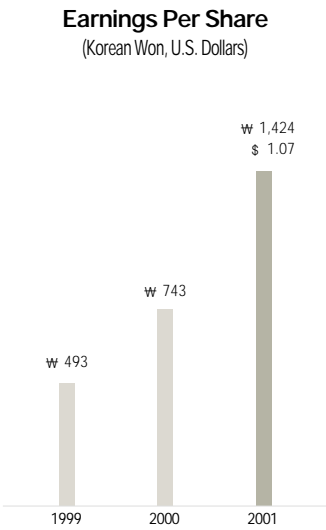
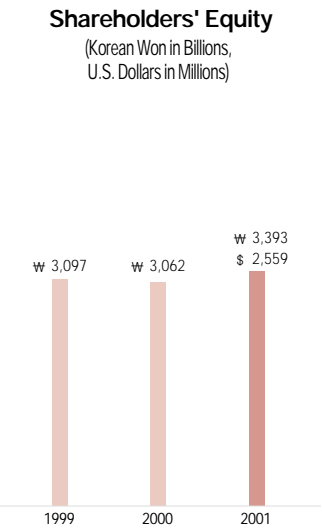
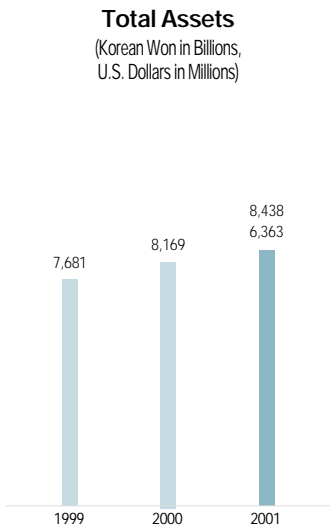
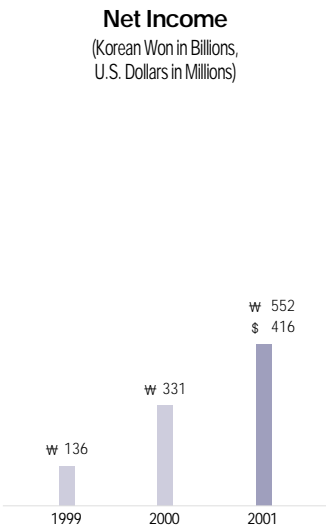
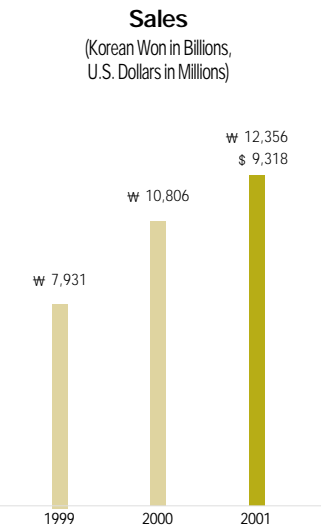
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Financial Highlights

For the ended December 31, 2001, 2000 and 1999				
	Korea Won in Billions		U.S. Dollars in Millions	
Area	2001	2000	1999	2001
Sales	₩ 12,356	₩ 10,806	₩ 7,931	\$ 9,318
Net Income	552	331	136	416
Total Assets	8,438	8,169	7,681	6,363
Shareholders' Equity	3,393	3,062	3,097	2,559
Earnings Per Share (₩, US \$)	1,424	743	493	1.07
Return On Equity (%)	17.1	10.7	4.4	17.1



In 2001 Kia Motors

recorded the best year in the company's history. In its third consecutive year of profitable operations, Kia recorded 12.4 trillion won in sales and 552 billion won in net income. Domestic sales reached 410,000 units, representing 1% year-on-year growth. Exports increased by 12% year-on-year to 610,000 units.

These strong figures are helping to raise Kia's profile and competitiveness in the global marketplace. At the same time, a growing reputation for safety and outstanding value is making Kia the brand of choice for an increasing number of discerning motorists around the world.



“NEW DREAM”

Part 1

Setting the Goals

After three consecutive years in the black, Kia's goal of joining the ranks of the world's top five automakers is looking increasingly attainable. Solid financials, a range of quality products and a proven track record of providing world class quality at value prices has made Kia Motors the fastest growing brand in key strategic markets including the United States.



Chairman Chung, Mong Koo becomes the first Korean to receive the Distinguished Service Citation from the U.S. Automotive Hall of Fame

Kia Motors has been a cornerstone of the Korean automobile industry for more than 50 years. Today, Kia is developing into a true global player. 2000 saw another milestone in the company's development when Chairman Chung, Mong Koo was awarded the DSC from the U.S. Automotive Hall of Fame.

The DSC has been awarded since 1940 by the Automotive Hall of Fame, established by a group of automotive leaders in New York in 1939. The award recognizes individuals who make outstanding contributions to the development of the industry. During the past 60 years, the 360 recipients of the DSC have included Henry Ford, Lester Colbert (Chrysler) and Lee Iaccoca. Chairman Chung, Mong Koo is only the second Asian to receive the award after Honda's Hiroyuki Yoshino in 1998. The DSC establishes Kia's credentials as a world-class player and will strengthen the company's position in both the Korean and U.S. automobile markets.



Chairman & CEO of Kia Motors, **Chung, Mong Koo**



"2002 will be a period of consolidation as Kia completes the groundwork that will enable us to join the world's top five manufacturers. Solid leadership, improved quality management and a focus on global customer satisfaction will be key components in that process."

For Kia Motors, 2001 was an extraordinarily successful year. While the global automotive industry experienced a pronounced downturn, we achieved our best operational results ever. Sales of 902,409 units generated 12.4 trillion won in sales, which translated into 552 billion won in net income.

Much of our success was in overseas markets. The U.S. market recorded particularly strong results after the launch of an upgraded Carnival(Sedona) generated astonishing sales growth. Sales in the United States as a whole increased by 47% year on year, making Kia one of the fastest growing brands in that market. Kia also expanded the scope of its operations in the potentially lucrative China market.

The company's operations have also received their share of recognition. Kia was awarded the Korea Quality Grand Prize and the Personnel Management Grand Prize in 2001, strengthening our position at the forefront of the Korean automotive industry. On the international stage, Kia's products have begun to collect a range of awards and citations for quality. The Carnival in particular has significantly raised the awareness and prestige of the Kia brand.

We also delivered on our promise to shareholders by completing the cancellation of 80 million treasury stocks as promised to the shareholders. This underscores Kia Motors' financial soundness and highlights our continued commitment to provide real shareholder value.

Brand recognition on the international market was raised by our agreement at the end of 2001 to act as major sponsor for the 2002 and 2003 Australian Tennis Open. This is a groundbreaking move for Kia, and is a part of a global sports marketing strategy that will seek to leverage high-profile international sporting events to raise awareness of the Kia brand. In the domestic market, we also founded the Kia Tigers professional baseball team, increasing our exposure in this very popular spectator sport.

Every accomplishment listed above, and indeed every success that Kia has had, is the result of a committed team effort. The support of our shareholders has made an outstanding contribution to that team effort and has instilled a renewed sense of confidence throughout the company.

2002 will be a period of consolidation as Kia completes the groundwork that will enable us to join the world's top five manufacturers. Solid leadership, improved quality management and a focus on global customer satisfaction will be key components in that process. The introduction of a Six Sigma program, an integrated quality system and other initiatives are intended to raise quality levels company-wide.

Kia is pursuing both quantitative and qualitative market growth through an aggressive, diversified sales strategy combining expanded sales of lower-priced, high-volume models with an increased emphasis on higher value-added and luxury products. The launch of the Sorento will strengthen our sales in the important SUV market while improving our corporate image through the development of more premium models. Restyled editions of existing models including the Rio, Carens and Optima will further bolster our product competitiveness across the entire Kia range. The new and upgrade models will be supported by increased overseas advertising and sales promotions to raise brand recognition.

Our global sales target for 2002 is 1,092,000 units. - 552,000 exports and 440,000 for the domestic market. The remaining 130,000 units will be produced by our overseas assembly operations on a knock-down basis.

Of course, producing and marketing quality vehicles is only half the battle in building a global automotive brand. The other half is providing a service offering that matches the quality of the product. Unfortunately, this is an area in which Kia has lagged behind its competitor in the past. We have already taken steps to address this. The introduction of our Kia Q-Service offering has increased after-sales service capabilities of our dealerships and begun generating greater levels of consumer trust in Kia Motors. Kia after-sales service will take on a new look this year with the expansion of the 24-hour-a-day emergency service, the provision of online maintenance services via the Kia homepage, a new compensation program for dissatisfied customers and upgraded maintenance technology. We are also expanding investment in R&D to continue improving the quality and technical standards of the vehicles we produce.

Kia Motors has had a very successful few years. However, there is no time to rest on our laurels. If we are to realize our goal of joining the world's top 5 automakers by 2010, we need to hone our competencies still further and strive for continuous growth. Kia's product line is improving all the time, and receiving industry recognition for quality and value. Customers are increasingly seeing in Kia cars a product that they can be proud to own.

The task ahead of us is to build on that momentum and to reproduce Kia's success in the U.S. market and in other markets around the world. That is a goal to which everyone at Kia is fully committed. I am confident that the results will more than justify the faith and trust of all our shareholders.

Kim, Noi-Myung, President & CEO
Kia Motors Co., Ltd



NEW “ACTION”

Part 2

Setting the Standard

Kia is rapidly developing a global reputation for developing vehicles that meet or exceed international standards for safety and quality. Further initiatives in 2002 and beyond will build on this reputation, making the Kia brand synonymous with quality.

Kia's outstanding sales results and a strategy of brand differentiation have secured the company's number two position in the Korean market.

After a contraction early in the year, domestic demand for automobiles in 2001 gradually recovered to eventually record a 1.4% year-on-year increase at 1,451,000 units. Demand for RVs decreased slightly, despite an increase in SUV demand. The fall in minivan sales is attributed to the weakened economic advantage offered by LPG vehicles in the domestic market.

Demand for passenger cars increased, particularly for mid-size and larger models. Mid-sized vehicles recorded a 5.2% year-on-year increase, reaching 657,000 units. On the back of the economic recovery, commercial vehicle sales increased by 3.8% to 384,000 units due to greater demand for small buses and light trucks.

In the passenger car market, Kia sold 134,000 units to secure more than 20% of the market. Sales of the Spectra and Optima were particularly healthy. Sales of commercial vehicles also increased dramatically to 118,000 units, a 13.5% year on year increase. This increase is mainly attributed to an intensive effort aimed at making each model the top-selling vehicle in its class through a focus on quality and competitiveness. In the RV category the exceptional quality of the new Carnival continues to boost sales. Kia is also aggressively promoting of the Carens and the Carstar, models that maximize the strengths of LPG vehicles and contribute to expanding the market share for minivans.

Kia is establishing a unique brand image while maximizing sales via diverse marketing channels. Strategic partnerships with related firms such as Daum Communications are being expanded to increase the scope and reach of Kia's customer messaging. Increased use of marketing databases is improving sales efficiency by targeting key market segments. Kia has also generated greater demand for its products by promoting Kia's excellent safety record as attested by certified domestic and overseas institutions.

Increased internal competition is bolstering performance within our sales network. An ongoing campaign aimed at improving overall sales productivity by 10% through stronger training and on-site support for all employees is helping to develop organizational and personnel capabilities.

Various PR events encourage consumers to visit dealerships, and customer satisfaction is being raised through customer-oriented service support based on speed, courtesy, precision and trust. We have also reduced sales losses and promoted sound, profit-oriented management by constantly reducing payment delinquencies.

In 2002, the domestic automobile market is expected to see 5% growth with demand reaching about 1,525,000 units. This forecast is based on factors including a steady recovery of the economy, expanded consumption sparked by upcoming events such as the World Cup, the continuing growth trend in domestic demand and new model launches by local manufacturers.

Kia has set a domestic sales goal of 440,000 units, representing a 6% increase over 2001. Performance will be aided by the launch of the Sorento, which will be highly competitive in the SUV market, and increased marketing activities for the Carnival and the Carens. Kia will also consolidate its leadership of the domestic RV and improve competitiveness in both the passenger and commercial vehicle areas through the introduction of new models.

Improvements in productivity and customer satisfaction will also be a priority for 2002. An in-house sales qualification system has been introduced and Kia is cultivating elite sales specialists capable of handling every aspect of an automobile's life cycle, from sales and insurance to maintenance and disposal. Kia will also aim to provide an optimum level of service by maintaining a one-to-one ratio between sales and maintenance personnel.

Kia is stepping up sports marketing activities by utilizing the Kia Tigers professional baseball team and developing programs around the World Cup. The company is also strengthening joint marketing activities to expand opportunities for customers to learn about Kia and its products. Database marketing efforts will be improved to better serve individual customers. Kia's "Noblesse Management System" already offers benefits to long-term customers to encourage repeat purchase of Kia cars.



Jimkara Festival



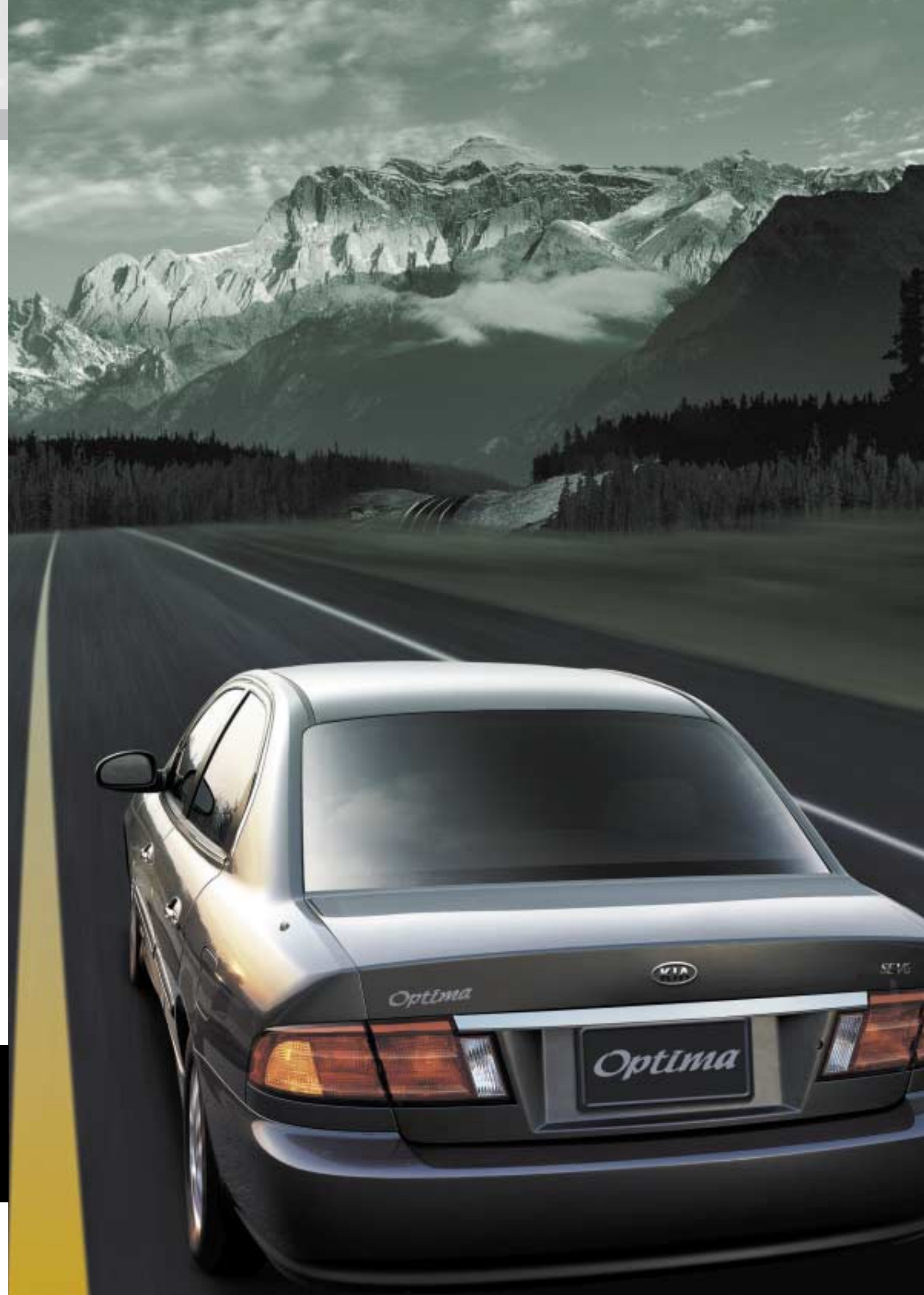
New Rio Unveiling



Optima Winner Roadshow



Sorento Unveiling



Increased sales in North America and other markets contributed to Kia's best results since the company was established, with exports growing 11.7% to 614,000 units.

Last year, Kia achieved its best results ever, exporting a total of 614,000 cars including 488,000 finished vehicles. The figure represents an 11.7% year-on-year increase, and is even more remarkable given the weakened purchasing sentiment due to the global economic downturn following the September 11 terrorist attacks in the U.S.

Export success is largely attribute to rapid growth in the U.S. market. This growth was led by sales of the Sephia and the Sportage, introduction of the Optima mid-sized sedan and the Carnival(Sedona) minivan, an improved image for sub-compacts, and an aggressive warranty program. Kia also diversified its export market, expanding sales in Western Europe through aggressive marketing activities, and concluding large contracts for commercial vehicles in the Middle East.

To build on export successes in 2001, Kia is targeting sales of 652,000 units in 2002, including 522,000 finished cars. To achieve this goal, the company is distinguishing between volume-oriented and profit-oriented models and initiating a diversified sales strategy. Brand recognition will be bolstered through improved advertising, PR and sales promotions. Kia will also maximize logistics efficiency by means of an integrated export management system. The successful international launch of the Sorento, the introduction of a diesel option for the Carens, expanded production of the Carnival and improvements in dealership management capabilities will increase sales.



Kia Motors' U.K. Branch



Chicago Auto Show



Export Shipment of Carnivals to North America



Kia Vision21 Overseas

At Kia, customer-oriented service is a priority. Through an innovative, efficient after-sales system, we are working to maximize customer satisfaction.

Kia is committed to providing customer services that are quick, precise, courteous and dependable. Kia has established an efficient after-sales system and strives to offer innovative service and constantly improving maintenance capabilities.

In 2001, Kia's directly-owned dealerships were converted into high-tech service centers. The number of close-contact car centers was also increased to 526 in order to develop more maintenance partners. The ratings system for maintenance partners was enhanced to guarantee quality. These moves will enable customers obtain quality service whenever and wherever it is needed. An integrated support system allows maintenance partners to benefit from real-time cooperation in management, technical information and parts.

Kia operates a one-stop service system. A maintenance specialist handles all processes, from ordering to shipping, and all customer requests are addressed in one visit. Kia also provides a service for established customers to receive direct maintenance visits. A maintenance network evaluation system promotes a pleasant customer environment within Kia. Improved training in customer satisfaction and service-oriented thinking is developing a customer-oriented attitude among maintenance personnel. To ensure optimal levels of technology and quality, Kia is improving training for maintenance technicians and transmitting technology to maintenance facilities via satellite broadcasts and the Internet. Kia has also expanded the use of next-generation diagnostic systems such as Hi-DS, Hi-Scan PRO and other state-of-the-art equipment. These efforts have given Kia the industry's highest ratings in the maintenance area in a number of customer satisfaction surveys.

In 2002, Kia is improving service still further by introducing the Kia Q-Service brand. The goal is to achieve predominance in the domestic automobile service market. Kia is also building an integrated service management system to establish a one-stop service. These measures and various new service offerings are making more and more customers aware that Kia service is the best.



Customer-oriented After-sales Service 1



Customer-oriented After-sales Service 2



Special Diagnostic Service for Water-damaged Vehicles



Emergency Service Team

Kia achieved the highest production levels in the history of the company in 2001. Kia has grown qualitatively and quantitatively with the re-establishment of a corporate-wide quality management system and the winning of the Korea Quality Prize.

Kia has a total production capacity of 1.15 million units. The company produced 852,000 finished vehicles in 2001, the highest level in Kia's history. The Sohori Plant increased production of the Carnival to 180,000 units while the main Hwasung Plant produced 388,000 units, out of an annual output capacity of 600,000 units.

In particular, The Production Division recorded a remarkable quality improvement. The Rio and Carnival II acquired top ratings in safety tests at home and abroad. Sales of these models expanded in North America, attracting U.S. drivers with an unprecedented warranty program and improved product quality.

Efforts are underway to achieve a new production record in 2002. Kia is establishing a sales-oriented, flexible production management system with the goal of producing 287,000 units at Sohori, 450,000 units at Hwasung and 201,000 units at the Kwangju Plant for a total of 938,000 vehicles, marking a 10% year-on-year increase. Kia Motors is setting the industry standard in terms of quality. Improved quality-oriented production management, the launch of new models while minimizing production snags and re-organized quality management systems company-wide set Kia apart from its domestic competitors. Kia was ISO re-certified by the Korea Standards Association and the British Standards Association in June, and facilities were retooled to meet new model quality standards. A new quality guarantee system covers six selected areas including new and mass-produced model quality improvement, and a corporate-wide quality innovation campaign achieved strong results. An overall commitment to quality improvement enabled Kia to become the first Korean automaker to receive the Korea Quality Management Award, the first time the award has been given to an automobile company.

Kia's 5-point quality management policy in 2002 will be to:

- apply stringent new quality standards and strengthen inspection activities for quality endurance;
- respond more quickly to customer problems and proactively prevent problems;
- improve the company's quality image by identifying problems, following up immediately and bolstering inspection programs;
- empower lower organizational levels with greater responsibility and decision making so that the Six Sigma quality initiative proceeds automatically; and
- respond more rapidly to product liability issues and surveys of automotive quality to protect our reputation.



BL Collision Test



PDI Quality Inspection Center



Belgian-type Road Test



Sorento on the High-speed Test Track



NEW “FUTURE”

Part 3

Setting the Pace

From remote deserts to state-of-the-art racetracks, Kia vehicles are everywhere. Kia is a world-class company with a burgeoning reputation for global quality and global service.

KIA MOTORS Top 10 Events in 2001

After corporate rebirth, Kia achieved the best quantitative and qualitative results ever, ensuring its emergence as a world-class automaker.



1



Kia Achieves Best Results Ever

After being in the black for 3 consecutive years, Kia achieved its best results ever in 2001. The figures break down to sales volume of 1,027,491 units (domestic: 413,942 units, export: 613,549 units), 12.4 trillion won in sales, (domestic: 6.354 trillion won, export: 6.002 trillion won), operating income of 522.2 billion won, ordinary income of 424.2 billion won and net income of 552.2 billion won. Higher sales of value-added vehicles such as the profitable Optima and Carnival II contributed greatly to sales expansion.

2



Hyundai Motor Group Ranked 4th among Korean Corporate Entities

In April, the Korea Fair Trade Commission officially recognized the Hyundai Motor Group as a corporate entity. On an assets basis, Hyundai rose to 4th place in the domestic financial rankings. At the time of its separation, the auto specialist Hyundai Group consisted of 16 subsidiaries, with Hyundai Motor and Kia Motors at the center and including Hyundai Mobis, INI Steel, Hyundai Capital and Hyundai Hysco. To strengthen its position in the financial sector, Hyundai acquired Diner's Card in October and then re-launched the company as Hyundai Card. Hyundai also bolstered synergy effects by acquiring ROTEM, which business has a mutually complementary relationship with the automotive industry. As of December 2001, the Hyundai Group consists of 21 subsidiaries.

Kia's Reputation for Safety Established in U.S. Market

Kia consolidated its reputation for safety by winning top ratings in various safety tests both at home and abroad. In tests conducted by the U.S. National Highway Transportation & Safety Administration, the Carnival outperformed U.S. and German models to receive five-star ratings in both front, side and collision tests. In September, Korea's Ministry of Construction and Transportation rated the Rio the safest amongst compact passenger cars in collision tests. In addition to the Carnival and Rio, the Optima, Carens and Carstar have received excellent marks for safety in collision tests conducted this year.

3



4



Appointment of Kim, Noi-Myong as President & CEO

Kim, Noi-Myong appointed Kia Motors President & CEO in a ceremony on August 21, emphasized the sales strength, uniqueness, and competitiveness of Kia motors. President Kim urged every employee to work toward "adapting all company processes - production, sales, service and quality - to the customer's point of view." He also stressed they should "have confidence and pride as employees of a world-class company." President Kim gained his international experience working for many years in Hyundai motor's overseas business division.

KIA MOTORS Top 10 Events in 2001

5



Chairman Chung, Mong-Koo awarded the Distinguished Service Citation

On February 4, Chairman Chung, Mong-Koo received the Distinguished Service Citation from the U.S. Automotive Hall of Fame. The award recognizes his contribution to establishing the Korean automobile industry as a global force. Under his leadership, Hyundai/Kia Motors' exports to North America increased by almost 50% year on year in 2001, Kia operations were quickly normalized, and Hyundai/Kia achieved its best results ever while maintaining stability in management and hiring.

Kia Moves into the Chinese Passenger Car Market

On November 27, Kia held a signing ceremony to establish a joint venture with Dongfeng, one of China's 3 major automakers, for operations in the Chinese passenger car market. Under the agreement, Kia will produce and sell all types of passenger vehicles in China. Kia will invest 50%, while Dongfeng and Yueda will each contribute 25% of the equity capital for Dongfeng Yueda Kia Motors Co., Ltd, which will produce the latest Kia passenger car models in China. The existing plant, with a current annual production of 50,000 vehicles, will be expanded to a capacity of 300,000 units. The newly established joint venture will be independently managed.



6

New Sales Records in the U.S. Market

Despite overall stagnation in the global automobile market, Kia maintained a 12% growth rate in exports. In the U.S. market, the world's largest, Kia launched the Carnival(Sedona) minivan and recorded the highest sales growth rate among Korean automakers. Kia's recent export success is attributed to bold marketing, improved customer satisfaction from quality improvements, and expanded product lines. The introduction of the Sedona and Optima has dramatically raised consumers' awareness of Kia quality and brand image, and has been favorably covered by the local media.



8



Stock Cancellation Increases Corporate Value

Kia completed the purchase and cancellation of 80 million shares of its treasury stocks, delivering on a promise to the general stockholders meeting held in November 2000. The stocks amounted to 17.8% of all issued shares. This cancellation of treasury stock served to build greater trust with the shareholders. The move reduces the number of shares in circulation, increases earnings per share and return on equity and raises actual corporate value. It is also expected to have a very positive effect on boosting the share price.

Kia Tigers Professional Baseball Team Extremely Popular

Kia Motors acquired national favorite Haitai Tigers professional baseball team and re-launched it as the Kia Tigers, the 14th team in the domestic pro league. From early on, Kia stirred excitement among the players with ambitious investment while Lee Jong-beom, the team's star player, brought in droves of fans and helped rekindle the sparkle of the domestic professional baseball diamond. At an inauguration ceremony at the Shinyang Park Hotel in Kwangju on August 6, Chairman Chung, Mong-Koo announced he would spare no support in making the Kia Tigers the best in the league.



9

10



First Automaker to Win Korea Quality Management and Personnel Management Awards

Kia Motors was awarded the grand prize at the 27th National Korea Quality Management Awards on November 7, 2001, the first time an automobile manufacturer has received the award. Kia was also awarded the Personnel Management Award, the most prestigious domestic prize for personnel development. The awards will serve to instill higher levels of trust in Kia customers and greater confidence among Kia employees and will contribute to the company's global quality competitiveness.

I. The Company

1. Corporate Purposes

1. Production and sale of automobiles, transportation equipment, and related parts.
2. Production and sale of military vehicles and related parts.
3. Production and sale of machinery, tools and related parts.
4. Production and sale of heavy equipment and related parts.
5. Production and sale of engines and engine parts.
6. Production and sale of automotive accessories.
7. Production and sale of electronic devices and related parts.
8. Production and sale of chemical products.
9. Production and sale of agricultural machinery and tools.
10. Automotive repair and inspection services.
11. Export / Import.
12. Issuance of product sales agreements.
13. Distribution and service industries.
14. Wholesaling and retailing.
15. Sale of petroleum products.
16. Automotive registration services.
17. Leisure industry.
18. Information processing and sale.
19. Forestry and livestock raising.
20. Landscaping.
21. Port cargo handling.
22. Automobile management.
(buying and selling of used cars; automobile auctions, rental, and disposal.)
23. Establishment and operation of youth training facilities.
24. Operation of a professional basketball team.
25. Real estate leasing and sale.
26. Production and sale of information equipment.
27. Marine shipping.
28. Insurance proxy and broker.
29. E-commerce and online-related businesses.
30. Businesses incidental to those listed above.

2. Main Business

Production and sale of automobiles and automotive parts.

3. Plants, Research Centers and Sales Offices

Name	Particulars	Location
Sohari Plant	Production of the Carnival and Rio	781-1 Soha-dong, Gyangmyeong, Gyeonggi Province
Hwasung Plant	Production of the Enterprise, Optima Regal, Optima, Spectra, Spectra Wing, Carens, Sportage, and Sorento	1122 Ihwa-ri, Woojeong-myeon, Hwasung-gun, Gyeonggi Province
Kwangju Plant	Production of the Retona, Pregio, Frontier, Rhino, Trade, Grace, Combi and Large buses	700 Naebang-dong, Seo-gu, Kwangju City
Sohari R&D Center	Automotive Development and Testing	1232 Soha-dong, Gwangmyeong, Gyeonggi Province
Apgujeong Branch & 341 Other Locations	Automobile Sales	518 Apgujeong-dong, Gangnam-gu, Seoul

4. Employees

As of December 31, 2001					(Person)
Classification	Administration	Sales	Production	Other	Total
Male	5,890	3,465	17,437	1,878	28,670
Female	604	27	5	183	819
Total	6,494	3,492	17,442	2,061	29,489

5. Corporate Stock

1. Number of shares issued

(shares, thousands of Won)				
Type	Number	Value	Composition	Remarks
Registered common stock	369,597,455	₩ 1,847,987,275	100%	

2. Changes in Equity (Capital)

(shares, thousands of Won)					
Date	Stock Type	No. of Shares	Capital Increase	Total Capital after Increase	Details
14 Aug. 1997	Common	61,696	308,480	378,693,080	Conversion of convertible bonds
02 Feb. 1999	Common	△68,169,666	△340,848,330	37,844,750	Capital reduction
30 Mar. 1999	Common	153,000,000	765,000,000	802,844,750	Capital increase with consideration (Hyundai)
30 Mar. 1999	Common	119,999,932	599,999,660	1,402,844,410	Debt-equity swap by financial institutions
30 Mar. 1999	Common	19,431,118	97,155,590	1,500,000,000	Rights offering
30 Jun. 1999	Common	76,104,823	380,524,115	1,880,524,115	Merger (5 affiliates)
30 Jun. 1999	Common	162,447	812,235	1,881,336,350	Debt-equity swap by financial institutions
20 Nov. 1999	Common	73,187,232	365,936,160	2,247,272,510	Rights offering
07 Dec. 2000	Common	142,953	714,765	2,247,987,275	Debt-equity swap by financial institutions
30 Jan. 2001	Common	△43,287,110	△216,435,550	2,031,551,725	Voluntary retirement of stocks
09 Apr. 2001	Common	△16,712,890	△83,564,450	1,947,987,275	Voluntary retirement of stocks
06 Nov. 2001	Common	△20,000,000	△100,000,000	1,847,987,275	Voluntary retirement of stocks

3. Stock Particulars

lassification	Contents
Closing date	December 31
General shareholders' meeting	Within 3 months after close of fiscal year
Shareholder register closure period	Between January 1 and 31
Stock certificate denominations	1, 5, 10, 50, 100, 500, 1,000, and 10,000 shares (8 types)
Agent for stock-related affairs	
Name	Seoul Bank
Address	Securies Agency Division, 43 Yeoeuido-dong, Yeongdeungpo-Gu, Seoul
Newspaper for public notices	Korea Economic Daily
Shareholder privileges	None

6. Corporate Bonds

(millions of Won)						
Category	Issue Date	Issue Amount	Interest	Balance	Maturity	Guarantor
258th general issue	26 Dec. 2000	₩ 200,000	7.00%	₩ 200,000	Dec. 26, 2002	None
259th general issue	15 Feb. 2001	₩ 250,000	7.00%	₩ 250,000	Feb. 15, 2004	None
260th general issue	11 Jul. 2001	US\$ 200 mn.	9.375%	US\$ 190 mn.	Jul. 11, 2006	None
261st general issue	10 Dec. 2001	US\$ 100 mn.	Floating	US\$ 100 mn.	Dec. 10, 2004	None

2. Business Performance

1. Overall Performance

Refer to the CEO's Message.

2. Production

(units, millions of Won)				
Main Product Categories	Production			
	Units		Value	
	2001	2000	2001	2000
Passenger cars	501,117	445,670	3,083,598	2,505,041
RVs	271,722	318,728	2,925,601	3,263,438
Vans	90,772	63,143	827,408	445,693
Other	99,811	77,463	928,412	827,131
Total	963,422	905,004	7,765,019	7,041,303

▶ Includes CKD production

3. Sales Performance

(units, millions of Won)					
Sales Particulars		Sales Performance			
Product	Market	Units		Value	
		2001	2000	2001	2000
Passenger Cars	Domestic	117,096	100,199	1,234,262	984,388
	Overseas	400,845	332,968	3,122,209	2,062,135
	Total	517,941	433,167	4,356,471	3,046,523
RVs	Domestic	130,206	153,275	1,927,575	1,994,777
	Overseas	148,139	162,573	2,148,431	2,009,494
	Total	278,345	315,848	4,076,006	4,004,271
Vans	Domestic	53,144	34,590	578,506	377,962
	Overseas	39,691	28,053	418,095	266,356
	Total	92,835	62,643	996,601	644,318
Trucks and Special Vehicles	Domestic	82,437	69,602	891,461	748,416
	Overseas	20,153	19,146	208,118	137,542
	Total	102,590	88,748	1,099,579	885,958
Parts	Domestic	31,059	52,634	1,722,297	1,944,234
	Overseas	4,721	6,697	105,392	280,741
	Total	35,780	59,331	1,827,689	2,224,975
Total	Domestic	413,942	410,300	6,354,101	6,049,777
	Overseas	613,549	549,437	6,002,245	4,756,268
	Total	1,027,491	959,737	12,356,346	10,806,045
▶ Includes CKD units (125,082 in 2001 and 101,770 in 2000)					

4. New Facilities, Facility Expansion and Funding

(millions of Won)			
Investment	Main Areas	Required Funds	Funding Source
Land	Seokcheon Port reclamation project	12,424	Internal Cash Flow
Buildings, structures	Domestic sales offices	103,729	"
Machinery	For production	263,617	"
Vehicles	For transport and rental	7,817	"
Tools	For production	122,508	"
Furnishings	Communication and computer systems, office furniture	33,625	"
Total		543,720	

3. Parent Company, Subsidiaries and Corporate Alliances

1. Parent Company

Nothing to report.

2. Subsidiaries

(shares)						
Name	Location	Subsidiary		Ownership by Parent		Business Relationship
		Capital	Function	Shares	Equity	
Kia Motors America, Inc.	9811 Muirlands Blvd. Irvine, CA 92618-2521, USA	US\$ 100 mn.	Wholesale (trade)	1,000,000	100%	Export to US
Kia Japan Co., Ltd.	2-2, 3 Chome, NishinoharaInzai-Machi, Inba-GunChiba-Ken, Japan	¥ 4,290 mn.	Wholesale (trade)	85,800	100%	Automotive parts import
Kia Canada Inc.	5875 Chedworth Way Mississauga, ON L5R 3L9, Canada	C\$ 88 mn.	Wholesale (trade)	5,198	82.5%	Export to Canada
Kia Motors Deutschland GmbH	Weser-Ems Strasse 24- 28309 Bremen, Germany	DM 39 mn.	Wholesale (trade)	-	100%	Export to Europe
Yan Ji Kia Motors A/S	204 Chaoyang Rd., Yan Ji Jilin Province, China	US\$ 2 mn.	Automotive repair	-	100%	
Kia Tigers Co., Ltd.	104-56 Im-dong, Buk-gu, Kwangju City, Korea	₩ 2,000 mn.	Professional baseball team	400,000	100%	
Hyundai Powertek Co., Ltd.	San-180, Hwacheon-ri, Jigok-myeon, Seosan, South Chungcheong Province	₩ 80,000 mn.	Automotive parts manufacturing	8,000,000	50%	Automatic transmissions

3. Executives Serving in Both Parent & Subsidiary

Name	Position	Subsidiary	Position in subsidiary
Chung, Mong-koo	Chairman	Hyundai Powertek	Director
Kim, Ik-hwan	Executive Vice President	Kia Tigers	President & CEO
Koo, Tae-hwan	Senior Vice President	Kia Tigers	Director

4. Assets & Business Performance for Past 3 years

1. Business Performance

Summarized Income Statement

(millions of Won)					
Classification	2001		2000		1999
Total sales	12,356,346		10,806,045		7,930,638
Cost of sales	9,758,758		8,926,092		6,742,758
Gross profit		2,597,588		1,879,953	1,187,880
Selling & administrative expenses	2,075,347		1,526,826		1,139,033
Operating income		522,241		353,127	48,847
Non-operating income	404,375		669,298		967,250
Non-operating expenses	502,465		652,712		788,234
Ordinary income		424,151		369,713	227,863
Extraordinary income	197,301				155,451
Extraordinary losses					200,874
Income before income tax		621,452		369,713	182,440
Income tax expense	69,217		39,009		46,695
Net income		552,235		330,704	135,745

2. Assets

Summarized Balance Sheet

(millions of Won)					
	2001		2000		1999
Assets					
I. Current assets		2,419,877		2,542,022	2,374,999
II. Non-current assets		6,018,589		5,627,259	5,306,296
(1) Investment assets	1,538,269		1,018,450		904,319
(2) Tangible assets	4,303,437		4,518,991		4,384,586
(3) Intangible assets	176,883		89,818		17,391
Total assets		8,438,466		8,169,281	7,681,295
Liabilities					
I. Current liabilities		2,540,899		2,601,221	2,371,448
II. Long-term liabilities		2,504,551		2,506,543	2,212,634
Total liabilities		5,045,450		5,107,764	4,584,082
Shareholders' equity					
I. Capital stock		1,847,987		2,247,987	2,247,273
II. Capital surplus		1,699,924		1,920,913	1,921,058
III. Accumulated deficit		△324,952		△783,887	△1,044,503
IV. Capital adjustments		170,057		△323,496	△26,614
Total shareholders' equity		3,393,016		3,061,517	3,097,213
Total liabilities and shareholders' equity		8,438,466		8,169,281	7,681,295

5. Key Issues Facing the Company

Key Issues Facing the Company

Refer to the CEO's Message.

6. Directors & Auditors

Directors & Auditors

Status	Name	Position	Responsibility	Business Ties with Kia
Standing	Chung, Mong-koo	Chairman & CEO		None
"	Kim, Noi-myung	President & CEO		"
"	Chung, Tae-young	Executive Vice President	Procurement Division	"
Non-standing	Choi, Yul	Outside Director		"
"	Cho, Dong-sung	Outside Director		"
"	Kim, Jong-chang	Outside Director		"
"	Chung, Jong-am	Outside Director		"

7. Major Shareholders

Major Shareholders

Name	Shares Held	Equity Share(%)	Business Ties with Kia
Hyundai Motor	134,285,491	36.33	Automobile production on commission
Hyundai Capital	36,180,000	9.79	
Hanvit Bank	51,539,932	13.94	Major creditor
Korea Development Bank	18,242,390	4.94	"
NPL Management Fund	10,060,863	2.72	

8. Major Creditors

Major Creditors

(shares, millions of Won)			
Name	Credit Outstanding	Shares Held	Equity Share
Korea Development Bank	230,395	18,242,390	4.94
Korea Asset Management Corporation	77,264	10,060,863	2.72
Cho Hung Bank	72,425	395,059	0.11
Hanvit Bank	65,141	51,539,932	13.94
Shinhan Bank	37,666	1,716,818	0.46

9. Investment by Kia Motors in Other Companies

Investment by Kia Motors in Other Companies			
Name of Company	Invested Company	No. of Shares owned	Equity Share(%)
Kia Motors America, Inc.	Kia Motors	1,000,000	100.0
Kia Japan Co., Ltd.	"	85,800	100.0
Yanji Kia Motors Maintenance & Repair Ltd.	"		100.0
Kia Motors Deutschland GmbH	"		100.0
Kia Canada, Inc.	"	5,198	82.5
Asia Motors Do Brazil	"	87,206,990	43.0
PT. Kia Timor Motors	"	30,000	30.0
Yancheng Yueda-Kia Moters	"		30.0
Kia Service Philippines	"	60,000	20.0
Kia-Ihlas Motor A.S.	"		5.0
Kia Tigers	"	400,000	100.0
Hyundai Powertek	"	8,000,000	50.0
WIA	"	3,474,738	45.3
Cheju Dynasty	"	1,240,000	40.0
Bontek	"	390,000	39.0
Korea DTS	"	6,024,286	30.1
TRW Steering	"	357,242	29.0
e-HD.com	"	540,000	27.0
NGVTEK.com	"	50,000	24.4
Hyundai Hysco	"	19,294,680	21.6
Autoever	"	200,000	20.0
Dongyoung Industries	"	115,382	19.2
Dong-hee Auto	"	100,000	19.2
Hyundai Mobis	"	13,858,120	17.6
INI Steel	"	14,009,517	11.5

10. Key Issues after Fiscal Year Closure

Key Issues after Fiscal Year Closure
No key issues to report.

11. Important Points Related to Other Business

Important Points Related to Other Business
No key issues to report.

We, members of the Kia Motors Auditing Committee, hereby submit the results of our audit of the Company's accounting and business operations for the 58th Fiscal Year, starting on January 1, 2001 and ending on December 31, 2001.

1. Auditing Approach

The accounting audit was conducted by reading the account books and related documents and carefully examining the financial reports and their attached statements. Contrastive, documentary, admmissive, referential and other appropriate auditing procedures were applied whenever deemed necessary in the conduct this audit.

We attended the Board of Directors' meetings and other important meetings to in the performance of our operational audit, and we received reports from the directors when deemed necessary. We also carefully examined documents related to all major operational activities.

2. Notes on the Balance Sheet & Income Statement

The Balance Sheet and Income Statement accurately present the Company's assets and profitability in accordance with the Articles of Incorporation and Korean Law.

3. Notes on the Report on Loan Loss Provisions

The Report on Loan Loss Provisions has been prepared in accordance with the Articles of Incorporation and Korean Law to fairly reflect the Company's financial status.

4. Notes on the Annual Report

The Annual Report accurately presents the Company's operational status in accordance with the Articles of Incorporation and Korean Law.

February 20, 2002
Kia Motors Coporation
Audit Committee
Chairman of Audit Committee Kim, Jong-chang
Member of Audit Committee Chung, Jong-am
Member of Audit Committee Choi, Yul

REPORT OF INDEPENDENT
PUBLIC ACCOUNTANTS

To the Shareholders and Board of Directors of
Kia Motors Corporation:

We have audited the accompanying non-consolidated balance sheets of Kia Motors Corporation as of December 31, 2001 and 2000, and the related non-consolidated statements of income, dispositions of accumulated deficit and cash flows for the years then ended, all expressed in Korean won. These non-consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these non-consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the Republic of Korea. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the non-consolidated financial statements referred to above present fairly, in all material respects, the financial position of Kia Motors Corporation as of December 31, 2001 and 2000, and the results of its operations, changes in its accumulated deficit and its cash flows for the years then ended in conformity with financial accounting standards in the Republic of Korea (see Note 2).

The translated amounts in the accompanying non-consolidated financial statements have been translated into U.S. dollars, solely for the convenience of the reader, on the basis set forth in Note 2 to the financial statements.

Without qualifying our opinion, we draw attention to Note 1 of the non-consolidated financial statements which states that the operations of the Company have been affected, and may continue to be affected for the foreseeable future, by the general unstable economic conditions in the Republic of Korea and in the Asia Pacific region. The ultimate effect of these uncertainties on the financial position of the Company as of the balance sheet dates cannot presently be determined.

As explained in Note 12 to the non-consolidated financial statements, on November 4, 2000, the shareholders of the Company approved the retirement by December 31, 2001 of 80 million shares, or 17.8 percent of total common stock issued at the date of shareholders' meeting. In accordance with the consensus reached during the shareholders' meeting and the provisions of the Korean Commercial Code, in 2001, the Company concluded the stock retirement covering 80 million treasury shares, which had been

reacquired for retirement purposes since the date of the shareholders' meeting. As a result of the stock retirement, the number of the Company's total common shares issued has been reduced to 369,597,455 shares as of December 31, 2001.

As discussed in Note 16 to the non-consolidated financial statements, on January 31, 2001, the National Tax Tribunal accepted the Company's assertion and issued its decision on the reassessment of the Company's prior years' taxable income. Pursuant to the decision of the National Tax Tribunal, the tax authorities reassessed the Company's tax loss carryforward and determined the deductible amount for tax loss carryforward as ₩640,589 million (\$483,062 million) as of January 1, 2001. In prior years, the future tax benefits from the tax loss carryforward were not recorded by the Company as deferred income tax assets pending the outcome of the tax litigation. Accordingly, in 2001, the Company recognized the tax benefits from the reassessed tax loss carryforward as an extraordinary gain in the amount of ₩197,301 million (\$148,783 million).

As discussed in Note 2 to the non-consolidated financial statements, through December 31, 2000, the accounting for certain investments accounted for using the equity method was based on the financial statements of investees as of a date earlier than the Company's balance sheet date since the investees had not yet prepared financial statements as of that date. In 2001, the Company used financial statements of investees, which are the same as the Company's balance sheet date in applying the equity method. As a result of this change, in 2001, the Company's beginning accumulated deficit increased by ₩39,555 million (\$29,828 thousand), net income increased by ₩59,026 million (\$44,511 thousand), and earning per share increased by ₩152 (\$0.11), in comparison with previous accounting method.

As discussed in Note 18 to the non-consolidated financial statements, effective December 1, 2000, the Company sold its Parts Sales Division, the main function of which had been the selling and distribution of motor parts for after-sales services, to Hyundai MOBIS. The book value of the disposed Division's net assets was ₩264,805 million (\$199,687 thousand) as of December 1, 2000. The total consideration for the sale of the Division consists of a fixed amount of ₩310,105 million (\$233,847 thousand) as compensation for the Division's net assets and goodwill of ₩45,300 million (\$34,160 thousand), plus 10 percent of ordinary income from the Division's operations which will be received every year for a ten-year period starting in 2001.

Accounting principles and auditing standards and their application in practice vary among countries. The accompanying non-consolidated financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than the Republic of Korea. In addition, the procedures and practices utilized in the Republic of Korea to audit such financial statements may differ from those generally accepted and applied in other countries. Accordingly, this report and the accompanying non-consolidated financial statements are intended for use by those knowledgeable about Korean accounting procedures and auditing standards and their application in practice.

Angin & Co.

Seoul, Korea,
February 14, 2002

NON-CONSOLIDATED BALANCE SHEETS

AS OF DECEMBER 31, 2001 AND 2000

	Korean won (In millions)		Translation into U.S. dollars (Note 2) (In thousands)	
	2001	2000	2001	2000
ASSETS				
Current assets:				
Cash and cash equivalents (Notes 9 and 10)	₩ 250,849	₩ 31,633	\$ 189,163	\$ 23,854
Short-term financial instruments (Notes 9 and 10)	399,990	77,429	301,629	58,388
Marketable securities (Note 4)	30,620	204,519	23,090	154,226
Trade notes and accounts receivable, net of unamortized present value discount of ₩2,921 million in 2001 and ₩4,188 million in 2000, and allowance for doubtful accounts of ₩238,079 million in 2001 and ₩134,287 million in 2000 (Note 2)	877,845	956,862	661,975	721,561
Inventories (Notes 3 and 5)	420,417	646,245	317,033	487,328
Other receivables, net of unamortized present value discount of ₩14,539 million in 2001, and ₩22,943 million in 2000 and allowance for doubtful accounts of ₩105,816 million in 2001 and ₩101,671 million in 2000	254,064	335,271	191,587	252,825
Advances and other current assets, net of allowance for doubtful accounts of ₩87,061 million in 2001 and ₩15,881 million in 2000	186,092	290,063	140,330	218,734
Total current assets	2,419,877	2,542,022	1,824,807	1,916,916
Non-current assets:				
Investments, net of unamortized present value discount of ₩25,545 million in 2001 and ₩27,446 million in 2000 (Note 4)	625,658	313,362	471,803	236,303
Property, plant and equipment, net of accumulated depreciation of ₩1,534,632 million in 2001 and ₩1,149,780 million in 2000 (Notes 5 and 6)	4,303,437	4,518,991	3,245,183	3,407,730
Intangibles, net of amortization (Note 7)	176,883	89,818	133,386	67,731
Other assets (Note 8)	251,707	238,134	189,810	179,575
Deferred income tax assets (Note 17)	660,904	466,954	498,382	352,126
Total non-current assets	6,018,589	5,627,259	4,538,564	4,243,465
Total assets	₩ 8,438,466	₩ 8,169,281	\$ 6,363,371	\$ 6,160,381

(continued)

NON-CONSOLIDATED BALANCE SHEETS (CONTINUED)

AS OF DECEMBER 31, 2001 AND 2000

	Korean won (In millions)		Translation into U.S. dollars (Note 2) (In thousands)	
	2001	2000	2001	2000
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities:				
Short-term borrowings (Note 9)	₩ 53,519	₩ 74,390	\$ 40,358	\$ 56,097
Current maturities of long-term debt and debentures, net of discount on debentures issued of ₩5,264 million in 2001 (Note 10)	362,415	692	273,294	522
Trade notes and accounts payable	1,293,692	1,737,587	975,561	1,310,299
Accrued warranties	231,208	181,234	174,352	136,667
Accounts payable-other	418,309	390,409	315,443	294,404
Accrued expenses and other current liabilities	181,756	216,909	137,062	163,568
Total current liabilities	2,540,899	2,601,221	1,916,070	1,961,557
Long-term liabilities:				
Long-term debt and debentures, net of current maturities and net of discount on debentures issued of ₩11,995 million in 2001 and ₩10,112 million in 2000 (Note 10)	1,638,933	1,743,066	1,235,905	1,314,430
Accrued severance benefits, net of National Pension paid for employees of ₩ 51,078million in 2001 and ₩55,726 million in 2000, and individual severance insurance deposits of ₩562,044 million in 2001 and ₩472,421 million in 2000 (Note 2)	413,407	385,919	311,746	291,018
Derivative instruments credit (Note 2)	-	65,278	-	49,226
Long-term accrued warranties	436,099	300,578	328,858	226,663
Other long-term liabilities	16,112	11,702	12,150	8,824
Total long-term liabilities	2,504,551	2,506,543	1,888,659	1,890,161
Total liabilities	5,045,450	5,107,764	3,804,729	3,851,718
Commitments and contingencies (Note 11)				
Shareholders' equity:				
Capital stock (Note 12)	1,847,987	2,247,987	1,393,550	1,695,187
Capital surplus (Note 13)	1,699,924	1,920,913	1,281,897	1,448,543
Accumulated deficit (Note 14) (Net income of ₩ 552,235 million in 2001 and ₩330,704 million in 2000)	(324,952)	(783,887)	(245,043)	(591,122)
Capital adjustments (Note 15)	170,057	(323,496)	128,238	(243,945)
Total shareholders' equity	3,393,016	3,061,517	2,558,642	2,308,663
Total liabilities and shareholders' equity	₩ 8,438,466	₩ 8,169,281	\$ 6,363,371	\$ 6,160,381

The accompanying notes are an integral part of these statements.

NON-CONSOLIDATED STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

	Korean won (in millions, except per share amounts)		Translation into U. S. dollars (Note 2) (in thousands, except per share amounts)	
	2001	2000	2001	2000
Sales (Note 23)	₩12,356,346	₩ 10,806,045	\$ 9,317,809	\$ 8,148,741
Cost of sales	9,758,758	8,926,092	7,358,991	6,731,085
Gross profit	2,597,588	1,879,953	1,958,818	1,417,656
Selling and administrative expenses (Note 22)	2,075,347	1,526,826	1,565,001	1,151,366
Operating income	522,241	353,127	393,817	266,290
Other income (expenses), net:				
Interest expense, net	(75,455)	(98,623)	(56,900)	(74,371)
Foreign exchange loss, net	(28,179)	(18,469)	(21,250)	(13,927)
Reversal of allowance for doubtful accounts	-	171,684	-	129,465
Loss on valuation of marketable securities, net	-	(89,546)	-	(67,526)
Loss on valuation of inventories	(10,432)	(3,706)	(7,867)	(2,795)
Gain on valuation of investments securities accounted for using equity method (Note 4)	11,996	25,765	9,046	19,429
Loss on disposal of accounts receivable	(93,249)	(53,822)	(70,318)	(40,587)
Gain(loss) on disposal of marketable securities, net	20,143	(11,057)	15,190	(8,338)
Loss on impairment of investments	-	(11,901)	-	(8,974)
Loss on disposal of property, plant and equipment	(6,848)	(27,369)	(5,164)	(20,639)
Gain on disposal of Parts Sales Division (Note 18)	-	45,300	-	34,160
Other	83,934	88,330	63,294	66,610
	(98,090)	16,586	(73,969)	12,507
Ordinary income	424,151	369,713	319,848	278,797
Extraordinary item:	-	-	-	-
Other extraordinary income (Note 16)	197,301	-	148,783	-
	197,301	-	148,783	-
Income before income tax	621,452	369,713	468,631	278,797
Income tax expense (Note 17)	69,217	39,009	52,196	29,416
Net income	₩ 552,235	₩ 330,704	\$ 416,435	\$ 249,381
Ordinary income per common share (Note 2)	₩ 916	₩ 743	\$ 0.69	\$ 0.56
Earnings per common share (Note 2)	₩ 1,424	₩ 743	\$ 1.07	\$ 0.56

The accompanying notes are an integral part of these statements.

NON-CONSOLIDATED STATEMENTS OF DISPOSITION OF ACCUMULATED DEFICIT

FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

	Korean won (In millions)		Translation into U.S. dollars (Note 2) (In thousands)	
	2001	2000	2001	2000
Accumulated deficit before disposition:				
Undisposed accumulated deficit, beginning of year	₩ (783,887)	₩ (1,044,503)	\$ (591,122)	\$ (787,650)
Beginning balance adjustments:				
Cumulative effects of accounting change (Note 2)	(39,555)	-	(29,828)	-
Asset Revaluation Tax (Note 16)	(12,212)	-	(9,208)	-
Adjustments in investment securities using the equity method and others (Note 4)	(41,533)	(70,088)	(31,320)	(52,853)
Adjusted beginning balance of accumulated deficit	(877,187)	(1,114,591)	(661,478)	(840,503)
Net income	552,235	330,704	416,435	249,381
	(324,952)	(783,887)	(245,043)	(591,122)
Disposition	-	-	-	-
Undisposed accumulated deficit, end of year	₩ (324,952)	₩ (783,887)	\$ (245,043)	\$ (591,122)

The accompanying notes are an integral part of these statements.

NON-CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

	Korean won (In millions)		Translation into U.S. dollars (Note 2) (In thousands)	
	2001	2000	2001	2000
Cash flows from operating activities:				
Net income	₩ 552,235	₩ 330,704	\$ 416,435	\$ 249,381
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	452,117	418,229	340,937	315,383
Provision for doubtful accounts	168,676	-	127,197	-
Provision for severance benefits	180,715	219,718	136,276	165,687
Provision for warranties	462,202	249,039	348,542	187,798
Reversal of allowance for doubtful accounts	-	(171,684)	-	(129,465)
Loss on foreign currency translation, net	3,702	16,030	2,792	12,088
Loss on valuation of marketable securities, net	-	89,546	-	67,526
Loss on valuation of inventories	10,432	3,706	7,867	2,795
Gain on valuation of investments accounted for using equity method, net	(11,996)	(25,765)	(9,046)	(19,429)
Loss (gain) on disposal of marketable securities, net	(20,143)	11,057	(15,190)	8,338
Loss on impairment of investments	-	11,901	-	8,974
Loss on disposal of property, plant and equipment, net	6,848	27,369	5,164	20,639
Gain on disposal of Parts Sales Division	-	(45,300)	-	(34,160)
Amortization of present value discount	(16,629)	(24,845)	(12,540)	(18,735)
Other extraordinary income	(197,301)	-	(148,783)	-
Write-off of receivables	-	(76,788)	-	(57,905)
Changes in operating assets and liabilities:				
Increase in trade notes and accounts receivable	(10,053)	(33,284)	(7,581)	(25,099)
Decrease in long-term notes and accounts receivable	6,084	56,637	4,588	42,709
Increase (Decrease) in inventories	215,397	(124,561)	162,429	(93,930)
Increase (Decrease) in advances and other receivables	51,234	(234,421)	38,635	(176,775)
Decrease (Increase) in other current assets	53,891	(119,831)	40,639	(90,363)
Decrease in deferred income tax assets	69,218	39,009	52,197	29,416
Increase (Decrease) in trade notes and accounts payable	(441,026)	77,564	(332,574)	58,490
Increase in accounts payable-other	26,958	109,538	20,329	82,602
Decrease in other current liabilities	(35,152)	(95,555)	(26,508)	(72,058)
Decrease in derivative instruments credit	(39,207)	-	(29,566)	-
Payment of warranties	(276,707)	(210,171)	(208,662)	(158,488)
Payment of severance benefits	(68,529)	(85,435)	(51,677)	(64,426)
Other	19,199	10,306	14,477	7,771
	1,162,165	422,713	876,377	318,764
Cash flows from investing activities:				
Cash inflows from investing activities:				
Proceeds from disposal of marketable securities	228,858	309,322	172,580	233,257
Proceeds from disposal of investments	28,865	3,057	21,767	2,305

(continued)

NON-CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

	Korean won (In millions)		Translation into U.S. dollars (Note 2) (In thousands)	
	2001	2000	2001	2000
Reduction in other current assets	₩ 3,047	₩ 141,137	\$ 2,298	\$ 106,430
Reduction in other assets	87,635	133,215	66,085	100,456
Proceeds from disposal of Sales Parts Division	-	310,105	-	233,847
Proceeds from disposal of property, plant and equipment	325,553	37,520	245,497	28,293
	673,958	934,356	508,227	704,588
Cash outflows from investing activities:				
Acquisition of marketable securities	(34,816)	(57,232)	(26,254)	(43,158)
Additions to other current assets	(322,561)	(37,267)	(243,240)	(28,103)
Acquisition of investments	(280,310)	(284,853)	(211,379)	(214,805)
Additions to other assets	(215,383)	(162,883)	(162,418)	(122,829)
Acquisition of property, plant and equipment	(543,720)	(695,803)	(410,014)	(524,699)
Acquisition of intangible assets	(112,332)	(79,945)	(84,709)	(60,285)
	(1,509,122)	(1,317,983)	(1,138,014)	(993,879)
	(835,164)	(383,627)	(629,787)	(289,291)
Cash flows from financing activities:				
Cash inflows from financing activities:				
Proceeds from short-term borrowings	-	73,841	-	55,683
Proceeds from long-term debt	610,602	191,503	460,449	144,411
Refund of asset revaluation tax	22,044	-	16,623	-
Other	6,856	7,128	5,170	5,375
	639,502	272,472	482,242	205,469
Cash outflows from financing activities:				
Repayment of short-term borrowings	(20,286)	-	(15,297)	-
Repayment of current maturities	(692)	(5,849)	(522)	(4,410)
Repayment of long-term debt	(380,531)	(7,111)	(286,955)	(5,362)
Payment of stock issuance costs	-	(145)	-	(109)
Acquisition of treasury stock	(343,331)	(277,658)	(258,903)	(209,379)
Other	(2,447)	(2,509)	(1,846)	(1,892)
	(747,287)	(293,272)	(563,522)	(221,152)
	(107,785)	(20,800)	(81,281)	(15,683)
Net increase in cash	219,216	18,286	165,309	13,789
Cash, beginning of year	31,633	13,347	23,854	10,065
Cash, end of year	₩ 250,849	₩ 31,633	\$ 189,164	\$ 23,854

The accompanying notes are an integral part of these statements.

1. THE COMPANY:

Kia Motors Corporation (the "Company") was incorporated in December 1944, under the laws of the Republic of Korea, to engage initially in the manufacture and sale of bicycles. The Company is now one of the leading motor vehicle manufacturers in Korea producing and offering for sale a range of passenger cars, recreational vehicles, and commercial vehicles both in the domestic and the export markets. The Company owns and operates three principal automobile production plants: the Sohari plant, the Hwasung plant, and the Kwangju plant. The shares of the Company have been listed on the Korea Stock Exchange since 1973.

The Company was under the court receivership on April 15, 1998, as the court ruled in favor of commencement of in-court reorganization procedures for the Company. Effective February 16, 2000, the court receivership was terminated as the managerial committee of the competent court and the creditors' conference have favorably decided on the completion of the Company's performance of in-court reorganization procedures and the normalization of its finance and management.

The Company entered into a take-over contract with Hyundai Motor Company, representing the Hyundai Motor Consortium, effective December 1, 1999. Hyundai Motor Company holds 36.3 percent of the Company's stock as of December 31, 2001.

Beginning in 1997, Korea and other countries in the Asia Pacific region experienced a severe contraction in substantially all aspects of their economies. This situation is commonly referred to as the 1997 Asian Financial Crisis. In response to this situation, the Korean government and the private sector began implementing structural reforms to historical business practices.

The Korean economy continues to experience difficulties, particularly in the areas of restructuring private enterprises and reforming the banking industry. The Korean government continues to apply pressure to Korean companies to restructure into more efficient and profitable firms. The banking industry is currently undergoing consolidation and uncertainty exists with regard to the continued availability of financing. The Company may be either directly or indirectly affected by the situation described above. The accompanying non-consolidated financial statements reflect management's current assessment of the impact to date of the economic situation on the financial position of the Company. Actual results may differ materially from management's current assessment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Financial Statement Presentation

The Company maintains its official accounting records in Korean won and prepares statutory non-consolidated financial statements in the Korean language (Hangul) in conformity with the accounting principles generally accepted in the Republic of Korea. Certain accounting principles applied by the Company that conform with financial accounting standards and accounting principles in the Republic of Korea may not conform with generally accepted accounting principles in other countries. Accordingly, these non-consolidated financial statements are intended for use by those who are informed about

Korean accounting principles and practices. The accompanying non-consolidated financial statements have been condensed, restructured and translated into English (with certain expanded descriptions) from the Korean language financial statements. Certain information attached to the Korean language financial statements, but not required for a fair presentation of the Company's financial position, results of operations or cash flows, is not presented in the accompanying non-consolidated financial statements.

The US dollar amounts presented in these non-consolidated financial statements were computed by translating the Koran won into US dollars based on the Bank of Korea Basic Rate of ₩1326.10 to US \$1.00 at December 31, 2001, solely for the convenience of the reader. This convenience translation into US dollars should not be construed as a representation that the Korean won amounts have been, could have been, or could in the future be, converted at this or any other rate of exchange.

The significant accounting policies followed by the Company in the preparation of its non-consolidated financial statements are summarized below.

Revenue Recognition

Revenue, including long-term installment sales, is recognized at the time of shipping motor vehicles and parts. However, interest income arising from long-term installment sales contracts is recognized using the level yield method.

Valuation of Marketable Securities

Marketable securities are recorded at purchase price plus incidental costs. However, if the fair value of marketable securities differs from the book value determined by the moving average method, the securities are stated at fair value and the valuation gain or loss is recognized in current operations.

Allowance for Doubtful Accounts

The Company provides an allowance for doubtful accounts based on management's estimate of the collectibility of the receivables.

Inventories

Inventories are stated at the lower of cost or net realizable value, cost being determined by the moving average method except for materials in-transit for which cost is determined using the specific identification method.

Investment Securities

Equity securities held for investment (excluding those accounted for using the equity method discussed in the next paragraph) that are not actively traded (unlisted security) are stated at acquisition cost, as determined by the moving average method. Actively quoted (listed) securities, including those traded over-the-counter, are stated at fair value, with the resulting valuation gain or loss reported as a capital adjustment within shareholders' equity. If the fair value of a listed equity security or the net equity value of an unlisted security held for investment declines compared to acquisition cost and is not expected to recover (impaired investment security), the carrying value of the equity security is adjusted to fair value or net equity value, with the resulting valuation loss charged to current operations. If the net equity value

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

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or fair value subsequently recovers, in the case of an unlisted security, the increase in value is recorded in current operations, up the amount of the previously recognized impairment loss, and in the case of a listed security, the increase in value is recorded in capital adjustments.

Equity securities held for investment that are in companies in which the Company is able to exercise significant influence over the operating and financial policies of the investees are accounted for using the equity method, except investment equity securities in affiliates whose total assets (non-consolidated basis) are less than the required level of ₩7,000 million and the differences arising from the use of the equity method are not considered material which are stated at cost. The Company's share in the net income or net loss of investees is reflected in current operations. Changes in the retained earnings, capital surplus or other capital accounts of investees are accounted for as an adjustment to retained earnings or to capital adjustments.

Through December 31, 2000, the accounting for certain investments accounted for using the equity method was based on the financial statements of investees as of a date earlier than the Company's balance sheet date since the investees had not yet prepared financial statements as of that date. In 2001, the Company used financial statements of investees, which are the same as the Company's balance sheet date in applying the equity method. As a result of this change, in 2001, the Company's beginning accumulated deficit increased by ₩39,555 million (\$29,828 thousand), net income increased by ₩59,026 million (\$44,511 thousand), and earnings per share increased by ₩152 (\$0.11), in comparison with previous accounting method.

Debt securities held for investment are classified as either held-to-maturity investment debt securities or available for sale investment debt securities at the time of purchase. Held-to-maturity debt securities are stated at acquisition cost, as determined by the moving average method. When the face value of a held-to-maturity investment debt security differs from its acquisition cost, the effective interest method is applied to amortize the difference over the remaining term of the security. Available-for-sale investment debt securities are stated at fair value, resulting valuation gain or loss reported as a capital adjustment within shareholder' equity.

However, if the fair value of a held-to-maturity or an available-for-sale investment debt security declines compared to the acquisition cost and is not expected to recover (impaired investment security), the carrying value of the debt security is adjusted to fair value, with the resulting valuation gain or loss charged to current operations. If the fair value of the security subsequently recovers, in the case of a held-to-maturity debt security, the increase in value is recorded in current operations, up to the amount of the previously recognized impairment loss, and in the case of an available-for-sale debt security, the increase in value is recorded in capital adjustments.

The lower of acquisition cost of investments in treasury stock funds and the fair value of treasury stock included in a fund is accounted for as treasury stock in capital adjustments.

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Property, Plant and Equipment and Related Depreciation

Property, plant and equipment are stated at cost, except for the effects of upward revaluations in accordance with the Asset Revaluation Law of Korea to give accounting recognition to the loss in purchasing power of the Korean won. Routine maintenance and repairs are expensed as incurred. Expenditures that result in the enhancement of the value or extension of the useful lives of the facilities involved are treated as additions to property, plant and equipment.

The Company capitalizes interest as part of the cost of constructing major facilities and equipment. The interest expense capitalized is ₩21,344 million (\$ 16,095 thousand) and ₩22,092 million (\$ 16,659 thousand) in 2001 and 2000, respectively.

Depreciation is computed using the straight-line method based on the estimated useful lives of the assets as follows

Useful Lives (years)	
Buildings and structures	20~40
Machinery and equipment	15
Vehicles	5
Tools, dies and molds	5
Office equipment	5

Intangibles

Intangible assets are stated at cost, net of amortization computed using the straight-line method over the economic useful lives of the related assets from date of usage. Development costs, incurred in conjunction with development of new products or technologies and others, are amortized over the economic useful life (not to exceed 5 years) from the date of usage of the related products, using the straight-line method. Ordinary development and research costs are expensed as incurred.

Valuation of Receivables and Payables at Present Value

Receivables and payables arising from long-term installment transactions, long-term cash loans (borrowings) and other similar loan (borrowing) transactions are stated at present value, if the difference between nominal value and present value is material. The present value discount is amortized using the effective interest rate method, and the amortization is included in interest expense or interest income. The Company's long-term accounts receivable, including current portion, are stated net of unamortized present value discounts of ₩5,601million (\$4,224 thousand) and ₩11,925 million (\$8,993 thousand) as of December 31, 2001 and 2000, respectively, using an interest rate of 10.0 percent and 11.8 percent, respectively.

Accrued Product Warranties and Liabilities

The Company generally provides a warranty to the ultimate consumer with each product and accrues warranty expense at the time of sale based on actual claims history. In addition, the Company accrues product liability expense with respect to its potential product liability claims in North America. Actual war-

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ranty costs incurred are charged against the accrual when paid.

Accrued Severance Benefits

Employees and directors with more than one year of service are entitled to receive a lump-sum payment upon termination of their service with the Company, based on their length of service and rate of pay at the time of termination. The accrued severance benefits which would be payable, assuming all eligible employees were to resign as of December 31, 2001 and 2000 amount to ₩1,026,529 million (\$774,096 thousand) and ₩914,066 million (\$689,289 thousand), respectively.

Accrued severance benefits are approximately 55 percent and 52 percent funded at December 31, 2001 and 2000, respectively, through an individual severance insurance plan. Individual severance insurance deposits, in which the beneficiary is a respective employee, are presented as deduction from accrued severance benefits.

Before April 1999, the Company and the employees paid 3 percent and 6 percent, respectively, of monthly pay (as defined) to the National Pension Fund in accordance with the National Pension Law of Korea. The Company paid half of the employees' 6 percent portion and is paid back at the termination of service by offsetting the receivable against the severance payment. Such receivables, totalling ₩51,078 million (\$38,517 thousand) and ₩55,726 million (\$42,022 thousand) as of December 31, 2001 and 2000, respectively, are presented as a deduction from accrued severance benefits. Since April 1999, according to a revision in the National Pension Law, the Company and the employees each pay 4.5 percent of monthly pay to the Fund.

Stock Options

The Company computes total compensation expense to stock options, which are granted to employees and directors, by fair value method using the option-pricing model. The compensation expense has been accounted for as a charge to current operations and a credit to capital adjustment from the grant date using the straight-line method.

Derivative Instruments

All derivative instruments are accounted for at fair value with the valuation gain or loss recorded as an asset or liability. If the derivative instrument is not part of a transaction qualifying as a hedge, the adjustment to fair value is reflected in current operations. The accounting for derivative transactions that are part of a qualified hedge, based both on the purpose of the transaction and on meeting the specified criteria for hedge accounting, differs depending on whether the transaction is a fair value hedge or a cash flow hedge. Fair value hedge accounting is applied to a derivative instrument designated as hedging the exposure to changes in the fair value of an asset or a liability or a firm commitment (hedged item) that is attributable to a particular risk. The gain or loss both on the hedging derivative instruments and on the hedged item attributable to the hedged risk is reflected in current operations. Cash flow hedge accounting is applied to a derivative instrument designated as hedging the exposure to variability in expected future cash flows of an asset or a liability or a forecasted transaction that is attributable to a particular risk. The effective portion of gain or loss on a derivative instrument designated as a cash flow hedge is recorded as a capital adjustment and the ineffective portion is recorded in current operations. The effec-

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tive portion of gain or loss recorded as a capital adjustment is reclassified to current earnings in the same period during which the hedged forecasted transaction affects earnings. If the hedged transaction results in the acquisition of an asset or the incurrence of a liability, the gain or loss in capital adjustment is added to or deducted from the asset or the liability.

In 2000, the Company entered into foreign currency forward contracts to hedge the exposure to changes in the fair value of recognized foreign currency denominated asset and liabilities. The Company recognized gain and losses arising from changes in the fair value of the foreign currency forward contracts in net income on a current basis, the ineffective portion of which was ₩2,417 million (\$ 1,823 thousand) as of December 31, 2000, with related liabilities of ₩39,207 million (\$ 29,566 thousand) included in derivative instruments-credit.

In addition, the Company deferred the losses on the effective portion of foreign currency forward contracts for cash flow hedging purpose from forecasted exports as capital adjustments, amounting ₩26,071 million (\$ 19,660 thousand) as of December 31, 2000, all of which were included in the determination of net income in 2001.

Accounting for Foreign Currency Transactions and Translation

The Company maintains its accounts in Korea won. Transactions in foreign currencies are recorded in Korean won based on the prevailing rates of exchange on the transaction date. Monetary accounts with balances denominated in foreign currencies are recorded and reported in the accompanying non-consolidated financial statements at the exchange rates prevailing at the balance sheet dates. The balances have been translated using the Bank of Korea Basic Rate which was ₩1,326.10 and ₩1,259.70 to US \$1.00 at December 31, 2001 and 2000, respectively, and the translation loss and gain is reflected in current operations

Income Tax Expense

The Company recognizes deferred income taxes. Accordingly, income tax expense is determined by adding or deducting the total income tax and surtaxes to be paid for the current period and the changes in deferred income tax debits (credits). The difference between the income tax expense and the amount of income tax shown in the current period's tax return will be offset against the deferred income tax credits (debits), which will occur in subsequent periods.

Earnings Per Share

Basic ordinary income per common share and basic earnings per common share are computed by dividing ordinary income (after deduction for tax effect) and net income, respectively, by the weighted average number of common shares outstanding during the year. The number of shares used in computing ordinary income per share and earnings per share is 387,672,624 in 2001 and 444,940,373 in 2000. Diluted ordinary income per share and diluted earnings per share are computed by dividing ordinary income and net income, after addition for the effect of expenses related to diluted securities on net income, by the number of the weighted average number of common shares plus the number of dilutive potential common shares. As the Company has not issued any diluted securities and the stock options have no dilutive effect on basic ordinary income per share and basic earnings per share in 2001 and

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2000, basic ordinary income per share and basic earnings per share are equal to diluted ordinary income per share and diluted earnings per share, respectively.

3. INVENTORIES:

Inventories as of December 31, 2001 and 2000 consist of the following:

	Korean won (In millions)		Translation into U.S. dollars (Note 2) (In thousands)	
	2001	2000	2001	2000
Finished goods and merchandise	₩ 193,775	₩ 357,225	\$ 146,124	\$ 269,380
Semifinished goods and work in process	88,076	77,811	66,418	58,676
Raw materials and supplies	106,628	134,740	80,407	101,607
Materials in transit	31,938	76,469	24,084	57,665
	₩ 420,417	₩ 646,245	\$ 317,033	\$ 487,328

4. MARKETABLE SECURITIES AND INVESTMENT SECURITIES:

(1) Marketable securities as of December 31, 2001 and 2000 are stated at fair value and consist of the following:

	Korean won (In millions)		Translation into U.S. dollars (Note 2) (In thousands)	
	2001	2000	2001	2000
Debt securities	₩ 30,620	₩ 25,672	\$ 23,090	\$ 19,359
Beneficiary certificates	-	178,847	-	134,867
	₩ 30,620	₩ 204,519	\$ 23,090	\$ 154,226

As of December 31, 2001 the Company pledged part of its marketable securities as collateral for the various borrowings. The book value of those pledged marketable securities amounts to ₩9,749 million (\$7,352 thousand) as of December 31, 2001.

(2) Investment securities as of December 31, 2001 and 2000 consist of the following:

	Korean won (In millions)		Translation into U.S. dollars (Note 2) (In thousands)	
	2001	2000	2001	2000
Equity securities accounted for using the equity method	₩ 231,344	₩ 189,091	\$ 174,454	\$ 142,592
Marketable investment equity				
Securities	354,356	94,558	267,217	71,305
Unlisted equity securities	16,605	8,261	12,522	6,229
Debt securities	23,353	21,452	17,610	16,177
	₩ 625,658	₩ 313,362	\$ 471,803	\$ 236,303

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Equity securities accounted for using the equity method as of December 31, 2001, consist of the following:

Companies	Korean won (In millions)		U.S. dollars (Note2)(In thousands)	
	Acquisition cost	Equity value	Equity value	Percentage of Ownership
Kia Motors America, Inc.	₩ 66,798	₩ -	\$ -	100.0%
Kia Motors Deutschland GmbH	53,139	-	-	100.0%
Kia Japan Co., Ltd.	33,197	23,598	17,795	100.0%
Kia Tigers Co., Ltd.	20,300	18,221	13,740	100.0%
Yan Ji Kia Motors A/S(*)	1,792	1,792	1,351	100.0%
Kia Canada, Inc.	58,507	-	-	82.5%
Hyundai Powertek Co., Ltd.	40,000	34,393	25,935	50.0%
WIA Corporation	347	347	262	45.3%
Cheju Dynasty Co., Ltd.	8,520	4,828	3,641	40.0%
Bontek	1,950	1,950	1,470	39.0%
Korea D.T.S Co., Ltd.	30,850	31,531	23,777	30.1%
PT. Kia Timor Motors	10,908	11,205	8,450	30.0%
Yancheng Yueda-Kia Motors Co., Ltd.	5,503	267	201	30.0%
TRW Steering Co., Ltd.	8,952	8,952	6,750	29.0%
e-HD.com Inc.	2,700	1,505	1,135	27.0%
NGVTEK.Com (*)	250	250	189	24.4%
Hyundai Hysco Co., Ltd.	64,829	91,320	68,864	21.6%
Autoever Co., Ltd.(*)	1,000	1,000	754	20.0%
Kia Service Philipines Co.(*)	185	185	140	20.0%
	₩ 409,727	₩ 231,344	\$ 174,454	

Equity securities accounted for using the equity method as of December 31, 2000, consist of the following:

Companies	Korean won (In millions)		U.S. dollars (Note2)(In thousands)	
	Acquisition cost	Equity value	Equity value	Percentage of Ownership
Kia Motors America, Inc.	₩ 66,798	₩ 27,992	\$ 21,109	100.0%
Kia Japan Co., Ltd.	33,197	29,636	22,348	100.0%
Yan Ji Kia Motors A/S(*)	1,792	1,792	1,351	100.0%
Kia Canada, Inc.	22,324	22,192	16,735	64.5%
Cheju Dynasty Co., Ltd.(*)	2,521	2,521	1,901	40.0%
PT. Kia Timor Motors	10,908	12,570	9,479	30.0%
Yancheng Yueda-Kia Motors Co., Ltd.(*)	5,503	5,503	4,150	30.0%
e-HD.com Inc.(*)	2,700	2,700	2,036	27.0%
Hyundai Hysco Co., Ltd.	79,214	82,750	62,401	26.1%
NGVTEK.Com(*)	250	250	189	24.4%
Autoever Co., Ltd.(*)	1,000	1,000	754	20.0%
Kia Service Philipines Co.(*)	185	185	139	20.0%
	₩ 226,392	₩ 189,091	\$ 142,592	

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(*) Excluded from using the equity method as individual beginning balance of assets are less than the required assets level of ₩7,000 million or the period of operation since the investee's inception is less than one year and the differences arising from the use of the equity method are not considered material which are stated at cost.

The difference between the acquisition cost and the Company's portion of an investee's net equity at the date the Company was considered to be able to exercise significant influence over the operating and financial policy of an investee is amortized (positive goodwill) or reversed (negative goodwill) over 5 years, using the straight-line method. As of December 31, 2001, the unamortized balance of the positive goodwill was ₩30,783 million (\$23,213 thousand) and the unreversed balance of the negative goodwill was ₩122,431 million (\$92,324 thousand). As of December 31, 2000, the unamortized balance of the positive goodwill was ₩7,788 million (\$5,873 thousand) and the unreversed balance of the negative goodwill was ₩127,353 million (\$96,036 thousand). Significant unrealized profit (loss) on intercompany transactions is eliminated.

In 2000, the Company resumed applying the equity method for investments in Kia Japan Co., Ltd and Kia Motors America Inc., since capital increases on those investees' were made in excess of their accumulated deficits. The Company recognized those investees' cumulative losses attributable to the Company but not recorded after the discontinuance of use of the equity method, by charging the losses to the value of investment securities and accumulated deficit.

As of December 31, 2001, the difference between acquisition cost and equity value of ₩178,383 million (\$134,517 thousand) was accounted for as a charge to beginning accumulated deficit for ₩29,721 million (\$22,412 thousand) up to prior year, a charge to accumulated deficit for ₩146,954 million (\$110,817 thousand) in the current year, gain on valuation of ₩11,996 million (\$9,046 thousand) reflected in current operations, and loss on valuation of investment equity securities of ₩13,704 million (\$10,334 thousand) reflected in capital adjustments.

As of December 31, 2000, the difference between acquisition cost and equity value of ₩37,301 million (\$ 28,128 thousand) was accounted for as a credit to beginning accumulated deficit for ₩12,263 million (\$ 9,247 thousand) up to prior year, a charge to accumulated deficit for ₩67,750 million (\$ 51,089 thousand) in the current year, gain on valuation of ₩25,765 million (\$ 19,429 thousand) reflected in current operations, and loss on valuation of investment equity securities of ₩7,579 million (\$ 5,715 thousand) reflected in capital adjustments.

The value of investments in equity securities of Kia Motors Deutchland GmbH and Asia Motors Do Brasil SA has declined and is not expected to recover; accordingly, the difference between the book value and the fair value has been charged to current operations in 1998 as an investment impairment loss. The book value of these investments is zero and the net equity value has not been recovered as of December 31, 2001. In addition, although the capital injection in Kia Motors Deutchland GmbH by the Company was made in 2001, the increased capital was accounted for as a charge to accumulated deficit, since such amount was less than the accumulated losses not recognized during the period of suspending the valuation of investment using the equity method.

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Marketable investment equity securities as of December 31, 2001 consist of the following:

Companies	Korean won (In millions)		U.S. dollars (Note2)(In thousands)	
	Acquisition cost	Book value	Book value	Percentage of Ownership
Hyundai MOBIS	₩ 70,046	₩ 261,919	\$ 197,511	17.55%
I INI Steel Co., Ltd.	67,680	55,338	41,730	11.52%
LG. Telecom. Co., Ltd.	10,056	15,191	11,455	0.59%
Kia Steel Co., Ltd.	96	130	98	0.52%
Kanglim Co., Ltd.	346	120	90	0.38%
Stock Market Stabilization Fund	14,843	21,173	15,967	-
Treasury Stock Funds	2,000	485	366	-
	₩165,067	₩ 354,356	\$ 267,217	

Marketable investment equity securities were stated at fair value and the difference of ₩189,455 million (\$142,866 thousand) between book value and fair value was recorded as gain on valuation of investments equity securities in capital adjustments, excluding ₩1,515 million (\$1,142 thousand) of treasury stock included in the treasury stock fund which was recorded in treasury stock in capital adjustments as of December 31, 2001.

Marketable equity securities as of December 31, 2000 consist of the following:

Companies	Korean won (In millions)		U.S. dollars (Note2)(In thousands)	
	Acquisition cost	Book value	Book value	Percentage of Ownership
Hyundai MOBIS	₩ 79,751	₩ 78,654	\$ 59,312	19.99%
Kia Steel Co., Ltd.	96	100	75	1.36%
LG. Telecom. Co., Ltd.	3,491	2,037	1,536	0.59%
Kanglim Co., Ltd.	346	115	87	0.38%
Stock Market Stabilization Fund	25,145	13,244	9,987	
Treasury Stock Funds	2,000	408	308	
	₩ 110,829	₩ 94,558	\$ 71,305	

Marketable investment equity securities were stated at fair value and the difference of ₩4,307 million (\$3,248 thousand) between book value and fair value was recorded as loss on valuation of investments equity securities in capital adjustments, excluding ₩1,592 million (\$1,201 thousand) of treasury stock included in the treasury stock fund which was recorded in treasury stock in capital adjustments and the difference of ₩11,901 million (\$8,974 thousand) between book value and fair value of Stock Market Stabilization Fund as of December 31, 2000.

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Unlisted equity securities as of December 31, 2001 consist of the following:

Companies	Korean won (In millions)		U.S. dollars (Note2)(in thousands)	
	Acquisition cost	Book value	Book value	Percentage of Ownership
Korea Telecom I Com Co., Ltd.	₩ 7,200	₩ 7,200	\$ 5,430	0.40%
Dongwon Capital Co., Ltd.	3,000	3,000	2,262	4.62%
Daeshin Factoring Co., Ltd.	2,000	2,000	1,508	3.33%
Shinsegi Telecom. Co., Ltd.	837	837	631	0.41%
Kihyup Technology Banking Corp.	700	700	528	2.41%
Mobil com. Co., Ltd.	600	600	452	6.02%
A.P. Co., Ltd.	550	550	415	9.20%
Donghui Auto Co., Ltd.	500	500	377	19.20%
Dongyung Industries Co., Ltd.	240	240	181	19.23%
Namyang Industrial Co., Ltd.	200	200	151	8.00%
The Korea Economic Daily Co., Ltd.	168	168	127	0.22%
Other	610	610	460	
	₩ 16,605	₩ 16,605	\$ 12,522	

Unlisted equity securities as of December 31, 2000 consist of the following:

Companies	Korean won (In millions)		U.S. dollars (Note2)(in thousands)	
	Acquisition cost	Book value	Book value	Percentage of Ownership
Dongwon Capital Co., Ltd.	₩ 3,000	₩ 3,000	\$ 2,262	4.62%
Daeshin Factoring Co., Ltd.	2,000	2,000	1,508	3.33%
Shinsegi Telecom. Co., Ltd.	837	837	631	0.27%
Kihyup Technology Banking Corp.	700	700	528	2.41%
Mobil com. Co., Ltd.	600	600	452	5.20%
Dongyung Industries Co., Ltd.	240	240	181	19.23%
Namyang Industrial Co., Ltd.	200	200	151	8.00%
The Korea Economic Daily Co., Ltd.	168	168	127	0.25%
Other	516	516	389	
	₩ 8,261	₩ 8,261	\$ 6,229	

Unlisted investment equity securities are stated at cost, except where an investee's net equity value has declined and is not expected to recover. Total net equity value of unlisted investment equity securities as at December 31, 2001 and 2000, amounted to ₩16,020 million (\$12,081 thousand) and ₩8,688 million (\$6,552 thousand), respectively, based on the investees' latest financial statements.

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Debt securities as of December 31, 2001 consist of the following:

Companies	Korean won (In millions)		U.S. dollars (Note2)(in thousands)	
	Acquisition cost	Present Value Discount	Book value	Ownership
Corporate bonds:				
Kia Steel Co., Ltd.	₩ 32,698	₩ 18,253	₩ 14,445	\$ 10,893
Seoul Guarantee Insurance Company	16,200	7,292	8,908	6,717
	₩ 48,898	₩ 25,545	₩ 23,353	\$ 17,610

Debt securities as of December 31, 2000 consist of the following:

Companies	Korean won (In millions)		U.S. dollars (Note2)(in thousands)	
	Acquisition cost	Present Value Discount	Book value	Ownership
Corporate bonds:				
Kia Steel Co., Ltd.	₩ 32,698	₩ 19,438	₩ 3,260	\$ 9,999
Seoul Guarantee Insurance Company	16,200	8,008	8,192	6,178
	₩ 48,898	₩ 27,446	₩ 21,452	\$ 16,177

As the interest rates and repayment periods of corporate bonds were changed by mutual agreement in 1999, the difference between nominal value and present value was presented as bad debt expense, and amortized using the effective interest method over the remaining period.

The Company has pledged part of its investment equity securities as collateral for various short-term and long-term borrowings outstanding as of December 31, 2001 as follows:

Company	No. of shares pledged
Kia Steel Co., Ltd.	175,100
Wia Corporation	3,474,738
Kisan Mutual Saving's & Finance	306,160
Other	1,500

5. INSURANCE:

As of December 31, 2001 inventories and property, plant and equipment are insured for ₩3,320,367 million (\$2,503,859 thousand). In addition, the Company carries general insurance for vehicles and work-ers' compensation and casualty insurance for employees. Also, the Company has insurance to cover potential product liability arising from its product liability claims in North America with maximum coverage of \$50,000 thousand.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

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6. PROPERTY, PLANT AND EQUIPMENT:

Property, plant and equipment as of December 31, 2001 and 2000 consist of the following:

	Korean won (In millions)		U.S. dollars (Note 2) (in thousands)	
	2001	2000	2001	2000
Buildings and structures	₩ 1,203,497	₩ 1,167,047	\$ 907,546	\$ 880,059
Machinery and equipment	1,915,268	1,797,479	1,444,286	1,355,463
Vehicles	42,411	40,490	31,982	30,533
Tools, dies and molds	997,678	895,099	752,340	674,986
Office equipment	147,335	125,039	111,104	94,291
	4,306,189	4,025,154	3,247,258	3,035,332
Less: Accumulated depreciation	(1,534,632)	(1,149,780)	(1,157,252)	(867,039)
	2,771,557	2,875,374	2,090,006	2,168,293
Land	1,433,237	1,235,681	1080,791	931,816
Construction in progress	98,643	407,936	74,386	307,621
	₩ 4,303,437	₩ 4,518,991	\$ 3,245,183	\$ 3,407,730

As of December 31, 2001, the Company's property, plant and equipment are pledged as collateral for various long-term debt to a maximum of ₩1,115,595 million (\$841,260 thousand), and certain machinery of ₩173,771 million (\$131,039 thousand) are mortgaged for various loans (see Notes 9 and 10). The published value of the Company-owned land totals ₩1,137,165 million (\$857,526 thousand), and ₩1,079,092 million (\$813,734 thousand), respectively, as of December 31, 2001 and 2000, in terms of land prices officially announced by the Korean government.

7. INTANGIBLES:

Intangibles as of December 31, 2001 and 2000 consist of the following:

	Korean won (In millions)		U.S. dollars (Note 2) (in thousands)	
	2001	2000	2001	2000
Industrial property rights	₩ 18,314	₩ 19,460	\$ 13,811	\$ 14,675
Development costs	158,569	70,358	119,575	53,056
	₩ 176,883	₩ 89,818	\$ 133,386	\$ 67,731

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

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Development costs as of December 31, 2001 and 2000 are as follows:

	Korean won (In millions)		U.S. dollars (Note 2) (in thousands)	
	2001	2000	2001	2000
Beginning of the year	₩ 70,358	₩ 5,112	\$ 53,056	\$ 3,855
Addition:				
Expenditures	322,548	289,165	243,231	218,056
Deduction:				
Ordinary development expense	(211,515)	(218,311)	(159,502)	(164,626)
Amortization	(22,822)	(5,608)	(17,210)	(4,229)
End of the year	₩ 158,569	₩ 70,358	\$ 119,575	\$ 53,056

8. OTHER ASSETS:

Other assets as of December 31, 2001 and 2000 consist of the following:

	Korean won (In millions)		U.S. dollars (Note 2) (in thousands)	
	2001	2000	2001	2000
Long-term deposits	₩ 61,467	₩ 83,895	\$ 46,351	\$ 63,264
Long-term trade notes and accounts receivable, net of unamortized present value discount of ₩2,680 million in 2001 and ₩7,737 million in 2000 (see Note 2) in 1999	10,113	11,139	7,626	8,400
Lease and rental deposits	131,883	109,120	99,452	82,287
Other	48,244	33,980	36,381	25,624
Total	₩ 251,707	₩ 238,134	\$ 189,810	\$ 179,575

9. SHORT-TERM BORROWINGS:

Short-term borrowings as of December 31, 2001 and 2000 amount to ₩53,519 million (\$40,358 thousand) and ₩74,390 million (\$56,097 thousand), respectively, and consist of bank loans with annual interest rate of 0.89 to 8.60 percent in 2001. These borrowings are secured by certain bank deposits, investment securities and property, plant and equipment (see Notes 4 and 6).

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2001 AND 2000

10. LONG-TERM DEBT:

Long-term debt as of December 31, 2001 and 2000 consist of the following:

	Annual Interest rate (%)	Korean won (In millions)		U.S. dollars (Note 2) (In thousands)	
	2001	2001	2000	2001	2000
Debentures	4.1-9.4	₩ 817,310	₩ 189,888	\$ 616,334	\$ 143,193
Local currency loans					
Reorganization claims	7.38	942,547	1,262,482	710,767	952,026
Other loans	1.0-6.0	17,928	16,154	13,519	12,182
		960,475	1,278,636	724,286	964,208
Foreign currency loans					
Reorganization claims	7.38	223,563	275,234	168,587	207,551
Total long-term debt		2,001,348	1,743,758	1,509,199	1,314,952
Less: Current maturities		(362,415)	(692)	(273,294)	(522)
		₩ 1,638,933	₩ 1,743,066	\$ 1,235,905	\$ 1,314,430

Debentures outstanding as of December 31, 2001 and 2000 consist of the following:

Series	Maturity	Annual Interest rate (%)	Korean won (In millions)		U.S. dollars (Note 2) (In thousands)	
		2001	2001	2000	2001	2000
Local currency						
258 th	December 26, 2002	7.0	₩ 200,000	₩ 200,000	\$ 150,818	\$ 150,818
259 th	February 15, 2004	7.0	250,000	-	188,523	-
Foreign currency						
260 th	July 11, 2006	9.38	251,959	-	190,000	-
261 th	December 10, 2004	4.12	132,610	-	100,000	-
			834,569	200,000	629,341	150,818
Less: discount of debentures issued			(17,259)	(10,112)	(13,015)	(7,625)
			817,310	189,888	616,326	143,193
Less: current maturities of debentures			(194,736)	-	(146,848)	-
			₩ 622,574	₩ 189,888	\$ 469,478	\$ 143,193

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

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Local currency loans outstanding as of December 31, 2001 and 2000 consist of the following:

	Korean won (In millions)		U.S. dollars (Note 2) (In thousands)	
Reorganization claims:	2001	2000	2001	2000
Korea Development Bank	₩ 156,726	₩ 160,337	\$ 118,186	\$ 120,909
Korea Asset Management Corporation.	77,264	80,090	58,264	60,395
Kyobo Life Insurance Co.	57,907	57,907	43,667	43,667
Cho Hung Bank	45,332	45,344	34,184	34,193
Hanvit Bank	43,476	44,184	32,785	33,319
SG ABS Ltd.	39,191	-	29,554	-
Korea Development Leasing Corp.	34,447	34,447	25,976	25,976
Shinhan Bank	34,086	56,450	25,704	42,568
Hanaro Finance	31,342	30,378	23,635	22,908
Seoul Guarantee Insurance Company	15,137	54,329	11,415	40,969
Others	407,639	699,016	307,397	527,122
	942,547	1,262,482	710,767	952,026
Other loans	17,928	16,154	13,519	12,182
Sub total	960,475	1,278,636	724,286	964,208
Less: Current maturities	(135,741)	(692)	(102,361)	(522)
	₩ 824,734	₩ 1,277,944	\$ 621,925	\$ 963,686

Foreign currency loans outstanding as of December 31, 2001 and 2000 consist of the following:

	Korean won (In millions)		U.S. dollars (Note 2) (In thousands)	
Reorganization claims:	2001	2000	2001	2000
Korea Development Bank	₩ 57,552	₩ 54,671	\$ 43,399	\$ 41,227
Bankers Trust Company	50,629	48,094	38,179	36,267
Chohung Bank	27,093	26,732	20,431	20,158
Hanvit Bank	18,022	17,310	13,590	13,053
First Citicorp Leasing Inc.	13,895	13,199	10,478	9,953
Korea Non-Bank Lease Financing	13,042	12,389	9,835	9,342
Citibank	10,256	9,743	7,734	7,347
Korea Development Leasing Corp.	5,381	5,111	4,058	3,854
Chohung Capital	4,898	4,653	3,694	3,509
Other	22,795	83,332	17,189	62,841
Sub total	223,563	275,234	168,587	207,551
Less : Current maturities	(31,938)	-	(24,085)	-
	₩ 191,625	₩ 275,234	\$ 144,502	\$ 207,551

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In accordance with the court-approved reorganization plan, the above reorganization claims, with the exception of current maturities, will be repaid over seven years beginning 2002 to 2008, after a 3-year grace period. The applicable interest rate is variable depending on the 3-year non-guaranteed bond circulating earnings rate.

In addition to the pledged assets explained in Note 6 to the financial statements, cash equivalents and bank deposits of ₩99 million (\$75 thousand), 109 blank checks, 203 blank promissory notes, and 2 promissory notes totalling ₩1,820 million (\$1,372 thousand) are pledged as collateral for the short-term borrowings and the long-term local currency and foreign currency loans.

The maturities of long-term debt outstanding as of December 31, 2001 are as follows:

Year	Debtentures	Korean won (In millions)		U.S. dollars (Note 2) (In thousands)	
		Local Currency Loans	Foreign Currency Loans	Total	Total
2003	₩ -	₩ 136,185	₩ 31,938	₩ 168,123	\$ 126,780
2004	382,610	136,825	31,938	551,373	415,785
2005	-	136,572	31,938	168,510	127,072
Thereafter	251,959	415,152	95,811	762,922	575,313
	₩ 634,569	₩ 824,734	₩ 191,625	₩ 1,650,928	\$ 1,244,950

11. COMMITMENTS AND CONTINGENCIES:

- (1) At December 31, 2001, the outstanding balance of accounts receivable from export sales discounted with recourse amounts to ₩1,129,803 million (\$851,974 thousand).
- (2) The Company is contingently liable for payment guarantees of indebtedness, primarily of the following companies as of December 31, 2001.

	Korean won (In millions)		U.S. dollars (Note 2) (In thousands)	
Kisan Corporation	₩	5	\$	4
A.P. Co., Ltd.		2,140		1,614
		₩ 2,145		\$ 1,618

- (3) The Company uses a customer financing system related to a long-term installment sales system and has provided guarantees of ₩202,641 million (\$152,810 thousand) to the banks concerned as of December 31, 2001. These guarantees are all covered by insurance contracts, which specifies a customer and the Company as contractor and beneficiary, respectively.
- (4) The Company is a defendant to 2 lawsuits pertaining to the Company's denial of creditors' claim in the in-court reorganization proceedings amounting to ₩112,109 million (\$84,540 thousand) as of December 31, 2001. In addition, the Company is a defendant in 7 lawsuits for compensation of loss-

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es or damages amounting to ₩7,625 million (\$5,750 thousand) as of December 31, 2001. The outcome of those lawsuits is not currently determinable.

12. CAPITAL STOCK:

Capital stock as of December 31, 2001 and 2000 consist of the following:

	Authorized	Issued	Par value	Korean won (In millions)		U.S. dollars (Note 2) (In thousands)	
2001	820,000,000 shares	369,597,455 shares	₩5,000	₩1,847,987		\$1,393,550	
2000	900,000,000 shares	449,597,455 shares	₩5,000	₩2,247,987		\$1,695,187	

In accordance with the court-approved reorganization plan, on February 2, 1999 all issued shares of common stock, except those owned by specific related persons, were reduced by a ratio of 10 to 1, and the shares owned by the specific related persons were extinguished.

Also, under the court-approved reorganization plan, on March 30, 1999, ₩5,482,181 million (\$ 4,134,063 thousand) of the Company's debt was forgiven, including its guaranteed obligations, and an additional ₩1,799,999 million (\$1,357,363 thousand) of its liabilities was converted into capital stock for which 119,999,932 new shares were issued at ₩15,000 per share.

On December 7, 2000, ₩714 million (\$538 thousand) of a creditor's claims in dispute was additionally determined by the court as the Company's reorganization claim and converted into capital stock for which 142,953 new shares were issued.

In accordance with the take-over contract with the Hyundai Motor Company, representing the Hyundai Motor Consortium, effective December 1, 1998, the Company issued new common stock of 172,431,118 shares amounting to ₩938,656 million (\$707,832 thousand) and the Hyundai Motor Consortium acquired 153,000,000 shares amounting to ₩841,500 million (\$634,568 thousand) for 51 percent as at March 30, 1999.

On November 4, 2000, the shareholders of the Company approved the retirement by December 31, 2001 of 80 million shares, or 17.8 percent of total common stock issued at the date of shareholders' meeting. In accordance with the consensus reached during the said shareholders' meeting and the provisions of the Korean Commercial Code, the Company concluded the stock retirement covering 80 million treasury shares, which had been reacquired for retirement purposes since the date of the shareholders' meeting. As a result of the stock retirement, the number of the Company's total common shares issued has been reduced to 369,597,455 shares as of December 31, 2001.

Financial institutions, with loans to the Company which had been forgiven or converted into the Company's common stock, and Hyundai Motor Consortium were granted rights to subscribe to the registered non-voting preferred stock with a par value of ₩5,000. On December 28, 1998, the financial institutions acquired rights equal to 10 percent of the forgiven debt and liabilities converted into new capital

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stock. Also, on December 28, 1998, the Hyundai Motor Consortium acquired rights up to the extent that the Consortium shall own up to 51 percent of all the additional preferred shares to be issued. These pre-emptive rights can be exercised at once or several times in the fifth or tenth year from December 28, 1999, the date the court finally approved the reorganization plan, and the Company shall pay the dividend equal to at least 2 percent for the preferred shares to be issued for the exercise of the rights. In addition, the Asia Motors-invested financial institutions and Hyundai Motor Consortium were granted pre-emptive rights under the same conditions as described above.

13. CAPITAL SURPLUS:

Capital surplus as of December 31, 2001 and 2000 consist of the following:

	Korean won (In millions)		U.S. dollars (Note 2) (in thousands)	
	2001	2000	2001	2000
Paid-in capital in excess of par value	₩1,580,065	₩1,580,065	\$ 1,191,512	\$ 1,191,512
Gain on capital reduction	119,859	340,848	90,385	257,031
	₩ 1,699,924	₩ 1,920,913	\$ 1,281,897	\$ 1,448,543

As a result of the capital reduction on February 2, 1999, the Company recognized the gain in capital surplus in the amount of ₩340,848 million (\$257,030 thousand). In 2001, the Company accounted for the loss from the stock retirement amounting to ₩220,989 million (\$166,646 thousand) as a charge against the gain on capital reduction.

14. DISPOSITIONS OF ACCUMULATED DEFICIT:

The dispositions of the Company's accumulated deficit through December 31, 2001 are summarized below:

	Date of Disposition		Korean won (in millions)	U.S. dollars (Note 2) (in thousands)
Reserves	February	1995	₩ 69,439	\$ 52,363
Reserves	March	1998	62,696	47,278
Asset revaluation surplus	March	1998	320,151	241,423
Asset revaluation surplus	March	1999	17,472	13,175
Capital surplus	March	1999	3,833,190	2,890,574
Other capital surplus	March	2000	10,609	8,000
			₩ 4,313,557	\$ 3,252,813

The appraisal gain of ₩1,047,040 million (\$789,563 thousand) arising from the Company's assets revaluation at January 1, 1999 in accordance with the Asset Revaluation Law of Korea was offset against accumulated deficit.

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15. CAPITAL ADJUSTMENTS:

Capital adjustments as of December 31, 2001 and 2000 consist of the following:

	Korean won (In millions)		U.S. dollars (Note 2) (in thousands)	
	2001	2000	2001	2000
Treasury stock	₩ (9,798)	₩ (287,352)	\$ (7,389)	\$ (216,690)
Valuation gain (loss) on investments				
(see Note 4)	175,751	(11,886)	132,532	(8,963)
Stock option cost	4,104	1,813	3,095	1,368
Valuation loss on derivatives (see Note 2)	-	(26,071)	-	(19,660)
	₩ 170,057	₩ (323,496)	\$ 128,238	\$ (243,945)

(1) Treasury stock

As of December 31, 2001 and 2000, the Company has 1,628,048 shares and 37,840,838 shares of treasury stock, respectively, arising mainly from acquisition for the stock retirement purposes as discussed in Note 12 and cross-holdings of investment equity securities due to mergers, and has recorded, in capital adjustments, treasury stock at book value as of those dates, respectively.

(2) Stock options

The Company granted 71 directors stock options (grant date: March 17, 2000, exercise date: March 17, 2003, expiry date: March 18, 2008), at an exercise price of ₩5,500 (\$4.15) as determined during the meeting of the shareholders on March 17, 2000. If all of the stock options, which require at least two-year continued service, are exercised, 1,165,000 new shares or shares held as treasury stock will be granted in accordance with the decision of the Board of Directors. The Company calculates the total compensation expense using an option-pricing model. In the model, the risk-free rate of 10.0 percent, an expected exercise period of 5.5 years and an expected variation rate of stock price of 0.8387 are used. Total compensation expense amounts to ₩4,581 million (\$3,454 thousand) and to be accounted for as a charge to current operations and a credit to capital adjustment over the required period of service from the grant date using the straight-line method.

16. EXTRAORDINARY GAIN ON INCOME TAX BENEFITS:

In 1999, the Company and Asia Motors asked the Korean tax authorities to reassess the accumulated tax loss carry forward totaling ₩4,573,584 million (\$3,448,898 thousand) for the loss on prior period error corrections that is attributable to events occurring from 1991 to 1997 and charged to the operations in 1998. However, the tax authorities refused to reassess the tax loss carry forward and, instead, imposed on May 1, 2000, a corporate tax assessment of ₩380,668 million (\$287,058 thousand) pertaining to taxable year 1998.

The Company appealed the dismissal of its request for the reassessment and imposition of corporate tax by the tax authorities and brought the case to the National Tax Tribunal. On January 31, 2001, the

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National Tax Tribunal accepted the Company's assertion and issued its decision for the reassessment of the Company's prior years' taxable income. Pursuant to the decision of the National Tax Tribunal, the tax authorities reassessed the Company's tax loss carry forward and determined the deductible amount for tax loss carry forward as ₩640,589 million (\$483,062 thousand) as of January 1, 2001, after the utilization of ₩98,093 million of tax loss carry forward during fiscal 2000. In prior years, the future tax benefits from the tax loss carryforward were not recorded by the Company as deferred income tax assets pending the outcome of the tax litigation. Accordingly, in 2001, the Company recognized the tax benefits from the reassessed tax loss carry forward as an extraordinary gain in the amount of ₩197,301 million (\$148,783 thousand) (see Note 17). Additionally, in 2001, as a result of the determination of the deductible amount for tax loss carry forward, the asset revaluation tax amounting to ₩22,044 million (\$16,623 thousand) out of ₩34,256 million (\$25,832 thousand) paid and recorded as other receivables in 2000 with respect to the asset revaluation in 1999 was refunded to the Company.

17. INCOME TAX EXPENSE AND DEFERRED INCOME TAX ASSETS:

Income tax expense in 2001 and 2000 are computed as follows:

Description	Korean won (In millions)		U.S. dollars (Note 2) (in thousands)	
	2001	2000	2001	2000
Income tax currently payable	₩ -	₩ -	\$ -	\$ -
Changes in deferred income taxes due to:				
Temporary differences	(70,453)	102,214	(53,128)	77,079
Added to Accumulated Deficits	65,867	-	49,670	-
Tax loss carry forward	147,000	-	110,851	-
Tax credit carry forward	(73,197)	(63,205)	(55,197)	(47,663)
Income tax expense	₩ 69,217	₩ 39,009	\$ 52,196	\$ 29,416

The difference between income before tax in financial accounting and taxable income pursuant to Corporate Income Tax Law of Korea is as follows:

Description	Korean won (In millions)		U.S. dollars (Note 2) (in thousands)	
	2001	2000	2001	2000
Income before tax	₩ 621,452	₩ 369,713	\$ 468,631	\$ 278,797
Permanent differences	(355,789)	2,549	(268,297)	1,922
Temporary differences	283,719	(331,864)	213,950	(250,256)
Other adjustments	(78,156)	57,695	(58,937)	43,507
	471,226	98,093	355,347	73,971
Tax loss carry forward	(471,226)	(98,093)	(355,347)	(73,971)
Taxable income	₩ -	₩ -	\$ -	\$ -

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The changes in accumulated temporary difference in 2001 and 2000 and deferred income tax assets as of December 31, 2001 and 2000 are computed as follows:

Description	Korean won (In millions)		U.S. dollars (Note 2) (in thousands)	
	2001	2000	2001	2000
Accumulated temporary difference				
Beginning of period, net	₩ 1,310,873	₩ 1,642,737	\$ 988,517	\$ 1,238,773
Changes in the current year, net	283,719	(331,864)	213,950	(250,256)
End of period, net	₩1,594,592	₩ 1,310,873	1,202,467	988,517
Tax loss carry forward (*)	169,363	-	127,715	-
Other difference	2,044	-	1,542	-
	1,765,999	1,310,873	1,331,724	988,517
Statutory tax rate (%)	29.7	30.8	29.7	30.8
	524,502	403,749	395,522	304,463
Tax credit carry forward	136,402	63,205	102,860	47,663
Deferred income tax assets	₩ 660,904	₩ 466,954	\$ 498,382	\$ 352,126

(*) The remaining tax loss carry forwards of ₩169,363 million (\$127,715 thousand) are allowed to be utilized until 2003.

The accumulated temporary differences of ₩ 1,594,592 million (\$ 1,202,467 thousand) and ₩1,310,873 million (\$988,517 thousand) as of December 31, 2001 and 2000 do not include the temporary difference of ₩ 287,050 million (\$216,462 thousand) and ₩297,013 million (\$ 223,975 thousand), respectively, for the gain on revaluation of land which may not be disposed of in the near future. In addition, the accumulated effect of the change of the financial statements of the investments accounted for the equity method and the temporary differences of ₩65,867 million (\$ 49,670 thousand) arising from charging the Company's share in investees' cumulative loss to its accumulated deficit were directly adjusted in the accumulated deficit and excluded from the accumulated temporary differences.

When each temporary difference reverses in the future, it will result in a decrease (increase) of taxable income and income tax payable. Deferred income tax assets are recognized only when it is probable the differences will be realized in the future. As of December 31, 2001, the Company believes the tax benefits from accumulated deductible temporary differences, tax loss carry forward, and tax credit carry forward can be realized in the future. In addition, the Company believes average ordinary income in the coming years will exceed the amount of deferred income taxes which will reverse every year based on its assessment. Accordingly, the Company has recognized deferred income tax assets of ₩660,904 million arising from accumulated deductible temporary differences, tax loss carry forward, and tax credit carry forward as of December 31, 2001. The Company has not recognized deferred income tax assets from tax loss carry forward as of December 31, 2000.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2001 AND 2000

18. SALE OF DIVISION:

Effective December 1, 2000, the Company sold its Parts Sales Division, the main function of which had been the selling and distribution of motor parts for after-sales services, to Hyundai MOBIS. The book value of the Division's net assets as of December 1, 2000 was ₩264,805 million (\$199,687 thousand). The total disposal consideration of the Division consists of a fixed amount of ₩310,105 million (\$233,847 thousand) as compensation for the Division's net assets and goodwill of ₩45,300 million (\$34,160 thousand), plus 10 percent of ordinary income from the Division's operations during a ten-year period starting in 2001 which is payable every year during the said period. The payment for the goodwill of ₩45,300 million (\$34,160 thousand) will be received equally over a five-year period after the grace period of 2 years with interest at 11 percent annually.

19. RELATED PARTY TRANSACTIONS:

Significant transactions with affiliated companies and related balances as of December 31, 2001 are summarized below:

Description	Korean won (In millions)		U.S. dollars (Note 2) (in thousands)	
	Revenues	Expenses	Revenues	Expenses
Hyundai Motor Company	₩ 457,927	₩ 809,373	\$ 345,319	\$ 610,341
Hyundai MOBIS	97,792	159,367	73,744	120,177
Hyundai Hysco Co., Ltd.	4	94,986	3	71,628
Hyundai Capital Services, Inc.	59,882	49	45,156	37
Hyundai Powertek Co., Ltd.	224,103	40,229	168,994	30,336
Korea D.T.S Co., Ltd.	-	9,332	-	7,037
WIA Corporation	73,304	353,197	55,278	266,343
TRW Steering Co., Ltd.	-	61,122	-	46,092
Bontec Co., Ltd.	114	99,195	86	74,802
Overseas subsidiaries and other	3,564,860	2,418	2,688,229	1,824
	₩4,477,986	₩1,629,268	\$ 3,376,809	\$ 1,228,617

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2001 AND 2000

Description	Korean won (In millions)		U.S. dollars (Note 2) (in thousands)	
	Receivables	Payables	Receivables	Payables
Hyundai Motor Company	₩ 96,556	₩ 74,548	\$ 72,812	\$ 56,216
Hyundai MOBIS	74,557	20,789	56,223	15,677
Hyundai Hysco Co., Ltd.	3	18,928	2	14,273
Hyundai Powertek Co., Ltd.	119,227	27,535	89,908	20,764
Korea D.T.S Co., Ltd.	-	3,042	-	2,294
WIA Corporation	7,684	46,192	5,794	34,833
TRW Steering Co., Ltd.	-	8,552	-	6,449
Bontec Co., Ltd	3,183	12,552	2,400	9,465
Overseas subsidiaries and other	331,449	39	249,943	29
	₩ 632,659	₩ 212,177	\$ 477,082	\$ 160,000

Significant transactions with affiliated companies and related balances as of December 31, 2000 are summarized below:

Description	Korean won (In millions)		U.S. dollars (Note 2) (in thousands)	
	Revenues	Expenses	Revenues	Expenses
Hyundai Motor Company	₩ 93,808	₩ 777,933	\$ 70,740	\$ 586,632
Hyundai MOBIS	251,483	234,777	189,641	177,043
Hyundai Hysco Co., Ltd.	-	137,845	-	103,948
Hyundai Capital Services, Inc.	5,354	20,245	4,037	15,267
Overseas subsidiaries and other	3,028,396	290,275	2,283,686	218,894
	₩ 3,379,041	₩ 1,461,075	\$ 2,548,104	\$ 1,101,784

Description	Receivables	Payables	Receivables	Payables
Hyundai Motor Company	₩ 10,700	₩ 279,610	\$ 8,069	\$ 210,851
Hyundai MOBIS	132,624	42,595	100,011	32,121
Hyundai Hysco Co., Ltd.	2,429	46,894	1,832	35,362
Overseas subsidiaries and other	561,543	66	423,454	50
	₩ 707,296	₩ 369,165	\$ 533,366	\$ 278,384

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2001 AND 2000

20. FOREIGN CURRENCY DENOMINATED ASSETS AND LIABILITIES:

The following is a summary of the assets and liabilities denominated in foreign currencies as of December 31, 2001 and 2000.

Foreign Currency (in thousand)				Korean won (in millions)	
2001		2000		2001	2000
Assets	US \$	400,114	US \$	556,088	₩ 530,560
	DEM	150,392	DEM	133,485	90,166
	JP ¥	-	JP ¥	48,996	-
	CAD	63,866	CAD	124,647	53,222
	EU	24,096	-	28,254	-
Liabilities	US \$	518,527	US \$	247,138	₩ 687,620
	DEM	9,416	DEM	9,202	5,644
	JP ¥	11,019,940	JP ¥	10,532,248	111,235
	FRF	15,116	FRF	145	2,702
	EU	14,960	-	17,543	-

21. SUPPLEMENTARY INFORMATION FOR COMPUTATION OF VALUE ADDED:

The accounts and amounts needed for calculation of value added are as follows:

Korean won (in millions)		U.S. dollars (Note 2) (in thousands)	
2001	2000	2001	2000
Ordinary income	₩ 424,151	₩ 369,713	\$ 319,848
Labor costs	1,362,850	1,364,367	1,027,713
Interest expense, net	75,455	98,623	56,900
Rent	10,580	9,380	7,978
Taxes and dues	20,373	19,598	15,363
Depreciation	452,117	418,229	340,937
₩ 2,345,526	₩ 2,279,910	\$ 1,768,739	\$ 1,719,260

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2001 AND 2000

22. SELLING AND ADMINISTRATIVE EXPENSE:

Selling and administrative expenses are as follows:

Korean won (In millions)		U.S. dollars (Note 2) (in thousands)	
2001	2000	2001	2000
Salaries and wages	₩ 340,762	₩ 343,113	\$ 256,966
Sales promotion	209,699	193,540	158,132
Travel	14,996	14,916	11,308
Communications	11,471	13,386	8,650
Utilities	7,548	8,642	5,692
Taxes and dues	9,148	9,143	6,898
Rent	10,147	8,594	7,652
Depreciation and amortization	23,905	25,602	18,027
Repairs and maintenance	2,936	2,927	2,214
Advertising	71,273	77,629	53,746
Freight	35,693	42,126	26,916
Supplies and stationery	5,196	5,265	3,918
Commissions and fees	67,161	54,879	50,646
Education and training	5,674	5,366	4,279
Ordinary research and development	73,425	64,708	55,370
Overseas marketing	192,761	83,497	145,359
Export expenses	293,532	270,872	221,350
Warranty	521,095	290,392	392,953
Provision for doubtful accounts	168,676	-	127,197
Miscellaneous	10,249	12,229	7,728
₩ 2,075,347	₩1,526,826	\$ 1,565,001	\$ 1,151,366

23. GEOGRAPHIC SEGMENT INFORMATION:

The following is a summary of sales by geographic area in 2001 and 2000.

Korean won (In millions)		U.S. dollars (Note 2) (in thousands)	
2001	2000	2001	2000
Domestic sales	₩ 6,354,101	₩ 6,049,776	\$ 4,791,570
Export sales			
North America	3,326,627	2,380,400	2,508,579
Middle and south America	473,826	366,400	357,308
Europe	1,022,245	902,100	770,866
Other	1,179,547	1,107,369	889,486
6,002,245	4,756,269	4,526,239	3,586,660
₩ 12,356,346	₩ 10,806,045	\$ 9,317,809	\$ 8,148,741



■ Optima Regal



■ Sorento



■ Optima / Magentis



■ Sportage



■ Spectra / Sephia II



■ Carnival / Sedona



■ Rio



■ Carens

Corporate History

1944	<ul style="list-style-type: none">Corporate Foundation (Kyongseong Precision)
1952	<ul style="list-style-type: none">Produced the first Korean-made bicycle Samchonriho
1961	<ul style="list-style-type: none">Produced the C-100 motorbike
1962	<ul style="list-style-type: none">Produced the K-360 three-wheel cargo truck
1971	<ul style="list-style-type: none">Produced the Titan and Boxer four-wheel cargo trucks
1973	<ul style="list-style-type: none">Produced Korea's first 2000cc gasoline engineListed on the Korea Stock Exchange
1974	<ul style="list-style-type: none">Produced the Brisa, Korea's first small-size passenger car
1975	<ul style="list-style-type: none">Began exports of the Brisa pick-up, first finished vehicles
1980	<ul style="list-style-type: none">Produced the Bongo 1-ton truck
1981	<ul style="list-style-type: none">Produced the Bongo coach van
1983	<ul style="list-style-type: none">Equity stakes sold to Mazda and ItochuProduced the Ceres agricultural truc
1986	<ul style="list-style-type: none">Kia Basketball Team establishedProduced the Pride passenger car
1988	<ul style="list-style-type: none">Produced a 2.5 ton truck (Trade) and a 5-ton truck (Rhino)
1990	<ul style="list-style-type: none">Changed corporate name to Kia Motors CorporationCompleted construction of Asan Plant (Hwasung Plant)
1992	<ul style="list-style-type: none">Produced Potentia luxury sedanEstablished Kia JapanProduced Sephia, Kia's first proprietary passenger carEstablished Kia Motors America
1993	<ul style="list-style-type: none">Developed a solar-energy carProduced the Sportage SUVProduced the Avella small-size carCompleted construction of a proving ground at the Asan Plant
1994	<ul style="list-style-type: none">50th Anniversary of corporate foundationEstablished an after-sales service training centerEstablished Kia Motors Japan Research Center (KJRC)Earned ISO 9000 certification for all passenger & commercial vehiclesDeveloped a new engine (T-8D engine)
1995	<ul style="list-style-type: none">Produced Credos mid-size sedanCumulative production figures reached 4 million unitsEstablished KME (Kia Motors Europe)Started KD production of Sportage in EuropeAchieved cumulative export figures of 1 million units.Participated in Seoul Motor ShowProduced Bongo J2 light truckCompleted the construction of an R&D center in TokyoSephia won two non-modification segments in World Rally in Australia.Completed the construction of the second plant in AsanProduced Pregio vanSephia won non-modified segment in '95 World Rally in IndonesiaCredos won EU certification.Sportage completed Sahara Desert crossingStarted the sales of Sephia in IndonesiaProduced Elan sportster

Corporate History

1997	<ul style="list-style-type: none">Produced Enterprise luxury sedanStarted construction of Kia plant in IndonesiaDeveloped a proprietary 3.6 liter engine, J6DProduced Sephia IIProduced the Shuma compact sedan
1998	<ul style="list-style-type: none">Produced the Carnival MPVProduced the Credos II mid-size sedanCumulative export figures reached 2 million unitsHyundai Motor takes over Kia Motors.
1999	<ul style="list-style-type: none">Exported Sephia and Sportage to CanadaApproved merger of Kia's five affiliatesEmbarked on a global sales campaign in 70 countries under the slogan Y2KStarted production of the Pride in ChinaProduced the Rio compact sedan
2000	<ul style="list-style-type: none">Produced the Pregio 15-seaterSportage placed 6th in the Paris-Dakar Rally.Concluded court receivershipProduced Spectra (Sephia II) compact sedanProduced Optima (Magentis) mid-size sedanStarted sales of Retona CruiserMoved head office to Yangjae-dong in Seoul.
2001	<ul style="list-style-type: none">Chairman Chung, Mong Koo won Distinguished Service Citation by U.S. Automotive Hall of FameKia awarded Personnel Management Grand Prize and 27th Korea Quality Management Grand PrizeLaunched New Carnival in Korea and the U.S.Cumulative production figures at Hwasung Plant reached 3 million unitsLaunched a new professional baseball club, Kia Tigers.Carnival received 5-star rating in front, rear and side impact tests by U.S. NHTSA
2002	<ul style="list-style-type: none">Sorento crossover SUV unveiledNew Carnival won "Best Value Car" in U.K. Top Gear magazineLaunched New CarensCumulative production figures reach 10 million unitsProduced Optima Regal luxury mid-size sedan